

# 2011

## ANNUAL REPORT



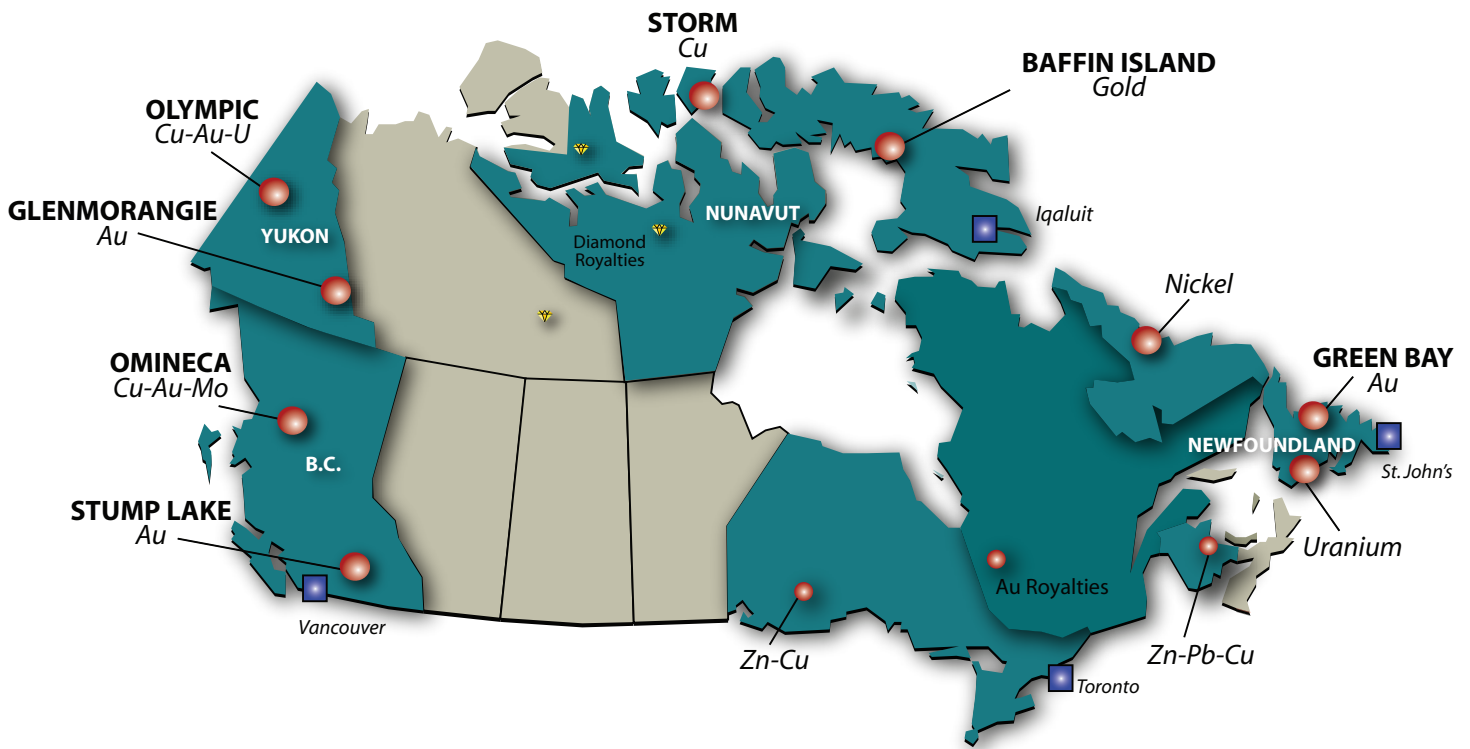
CMD:TSXV

[www.CommanderResources.com](http://www.CommanderResources.com)



# COMMANDER RESOURCES LTD.

## CANADA FOCUS





# COMMANDER RESOURCES LTD.

**Commander** is committed to a long-term business strategy designed to deliver significant returns on investment for shareholders through the use of in-house exploration expertise and by leveraging its broad property base to engage the contribution and expertise of selected partners, while maintaining either direct property positions or significant equity positions in partner companies. This strategy was well demonstrated by the work completed in 2011. In spite of a challenging year, we advanced our two northern projects, Baffin Island gold and Storm copper, through option agreements with partners while focusing our own personnel and funds on our projects in more accessible and affordable areas.

Two new exploration properties were acquired in 2011. In June we negotiated an option agreement for a package of claims located in the Watson Lake mining district in the Yukon. We also staked additional claims covering approximately 5,800 ha over a 20 km strike length. The Glenmorangie gold property offers Commander the opportunity to gain a position in an exciting gold region, which is accessible and has a known gold bearing trend. Work in 2011 identified two anomalous gold zones with values of up to 4.5 g/t gold in grab rock samples and anomalous soil values of up to 106 ppb gold. Additional ground work and a possible airborne survey are planned for 2012 to define drill targets.

Commander also acquired the Stump Lake gold property, a package of claims located in Southern BC. The property is well-located, with good road access and year-round workability. In the summer, we carried out a detailed soil sampling program, followed by IP and ground magnetic geophysical surveys in the fall. The work was successful in extending the strike length of the gold trend to 3 kilometres. A 2,000 metre drill program was completed in early 2012. As we go to press with this report, we are awaiting assay results from the drilling.

Leveraging has enabled us to participate in the advancement of properties while conserving company funds and retaining either direct property positions or significant equity positions in companies working on our properties. In 2011, three of our properties received attention and generated value for Commander shareholders: Green Bay gold in Newfoundland, Baffin gold in Nunavut and Storm copper in Nunavut.

***Commander advanced two northern projects, Storm copper and Baffin Island gold, through option agreements with partners while also working on more accessible and affordable projects with our own personnel and funds.***

A 5,000 metre drill program was completed on the Green Bay gold property in Newfoundland by Maritime Resources Corp. The program was successful in encountering new high grade gold intersections on the Orion deposit and by increasing the overall gold resources. In addition, Maritime re-examined the potential at the past-producing Hammerdown mine to assess the possible opportunity to re-enter this mine in light of current gold prices. The Green Bay property had been held jointly with Maritime Resources until Maritime purchased the remaining 50% interest in the property from Commander early in 2012 in exchange for 5 million shares of Maritime. The transaction increased Commander's stake in Maritime to 17 million shares. In

February 2012, we entered into an agreement to sell 4.5 million shares of Maritime to Rambler Metals Canada through a private transaction netting Commander over \$1 million. This cash enables us to conduct a large portion of our planned exploration programs in the coming year without having to go to the equity markets to raise significant cash. We realized immediate and significant value from this share sale and are still exposed to the future upside of the Green Bay property through the remaining 12.5 million share equity stake in Maritime and a

retained royalty on future production from the property.

On Baffin Island our partner, AngloGold Ashanti, funded a deep penetrating 3D IP survey at the Kanosak gold prospect. The survey was successful in defining a very strong, 3 km long anomaly lying approximately 200 metres below surface, which is deeper than the previous drill program had penetrated. AngloGold's objective was to locate a shallow, open pit style of target, and in March 2012 decided that they would not continue to pursue development of the Baffin Island project due to changing corporate priorities. Since entering into the option agreement in 2009, AngloGold spent almost \$12 million on the project, providing us with new and valuable geological information and understanding of the region. We retain 100% of the property, with at least one excellent new target area ready for drilling. Going forward, we will be assessing various business opportunities to maximize the value of this asset for the company and its shareholders in an environment of increasing gold prices and demand for new resources.

Also in Nunavut, our Storm Property received considerable attention in 2011. During the summer we conducted an airborne EM survey which produced excellent results. Following completion of this survey we were able to negotiate a \$15 million option agreement with experienced northern operators. A new company, Aston Bay Ventures, has the option to earn an initial 50.1% interest in the property by spending \$6 million over the next three years, including a minimum of \$2 million this year. Aston Bay is well on its way to raising the necessary funds and planning the initial program. Commander shareholders will benefit as work progresses through our equity stake in this new company.

Management maintains its strategy of being a diversified explorer focused in Canada. We believe it is essential to expose shareholders to a broad range of high quality discovery opportunities and use a combination of aggressive land acquisitions and strategic partnerships to mitigate risk.

I wish to thank the directors, consultants and staff for their work on behalf of the shareholders over the past year. I look forward to providing further updates and positive news to you and I thank you for your loyal support.

Eric Norton  
President & CEO  
**COMMANDER RESOURCES LTD.**





**COMMANDER  
RESOURCES LTD.**

## **Management Discussion and Analysis**

For the Year Ended  
December 31, 2011

## **Description of Business**

Commander Resources Ltd. ("Commander") is a company engaged in the acquisition and exploration of prospective gold, base metal, and uranium properties primarily in Canada. Commander is a reporting issuer in British Columbia and Alberta, and trades on the TSX Venture Exchange under the symbol "CMD".

## **Forward-Looking Information and Report Date**

This Management Discussion and Analysis ("MD&A") may contain forward-looking statements that involve risks and uncertainties. When used in this MD&A, the words "anticipate", "believe", "estimate", "expect" and similar expressions are intended to identify such forward-looking statements. Readers are cautioned that these statements, which describe Commander's proposed plans, objectives, and budgets, may differ materially from actual results.

The following discussion and analysis of the financial position and results of operations for Commander is dated March 12, 2012 (the "Report Date") and should be read in conjunction with the consolidated financial statements and the notes thereto for the year ended December 31, 2011 prepared in accordance with International Financial Reporting Standards ("IFRS").

## **Summary of Activities and Results**

### **1. Financing**

In May 2011, Commander closed a non-brokered private placement of 8,500,032 units, priced at \$0.24 per unit and raised a gross proceed of approximately \$1,954,717 net of issuance cost.

### **2. Baffin Island Gold Property**

- a. Commander completed its 2011 Baffin Island summer field program, financed by AngloGold Ashanti, which was allocated to carry out an extensive geophysical program at the Kanosak gold prospect along with early stage exploration on the claims that were acquired in 2009.
- b. In January 2012, Commander reported the results from the deep sensing, 3-D Induced Polarization (IP) Survey conducted at the Kanosak gold prospect in the 2011 field season. The survey results indicate the presence of a steeply dipping, cross-cutting zone of high chargeability and low resistivity below gold anomalous strata bound sulphide mineralization hosted in flat lying sediments over a 3 km strike length. The IP anomaly is interpreted as a possible feeder to the extensive surface mineralization. Trenching and shallow drilling has previously found widespread free gold in quartz veins and associated with disseminated arsenopyrite and pyrite.

### **3. Storm Copper Property**

- a. In July 2011, Commander performed a detailed airborne VTEM survey over the Storm property to identify the EM signature of the zones of known copper mineralization and potential new targets.
- b. In November 2011, Commander entered into an Option Agreement with Aston Bay Ventures ("Aston Bay"). The Agreement provides Aston Bay the right to earn up to a 70% interest in Commander's wholly owned Storm Property, Nunavut by issuing a total of 3,000,000 shares to Commander, making total cash payments of \$150,000 and funding \$15 million in exploration expenditures that must include delivery of an Indicated Resource as defined in NI 43-101.
- c. In December 2011, Commander received the initial two million shares and \$50,000 cash from Aston Bay as part of the \$15 million Option Agreement. Aston Bay has subsequently completed the minimum financing of \$1 million as required under the Agreement.

### **4. Glenmorangie Gold Property**

- a. In July 2011, Commander commenced its 2011 field program at the Glenmorangie gold property, located in south east Yukon. A total of 1,350 soil samples, 205 rock samples, 20 silt samples and six bulk silt samples were obtained from the Commander's 5,600 ha property over during the two month drilling period in 2011.
- b. In February 2012, Commander announced that the field campaign carried out at the Glenmorangie gold property identified two anomalous gold zones with values of up to 4.5 g/t gold in grab rock samples and anomalous soil

values of up to 106 ppb gold. The samples were processed by ALS Minerals in their Whitehorse and Vancouver labs, using ICP-MS methods. A total of \$320,000 has been spent to date.

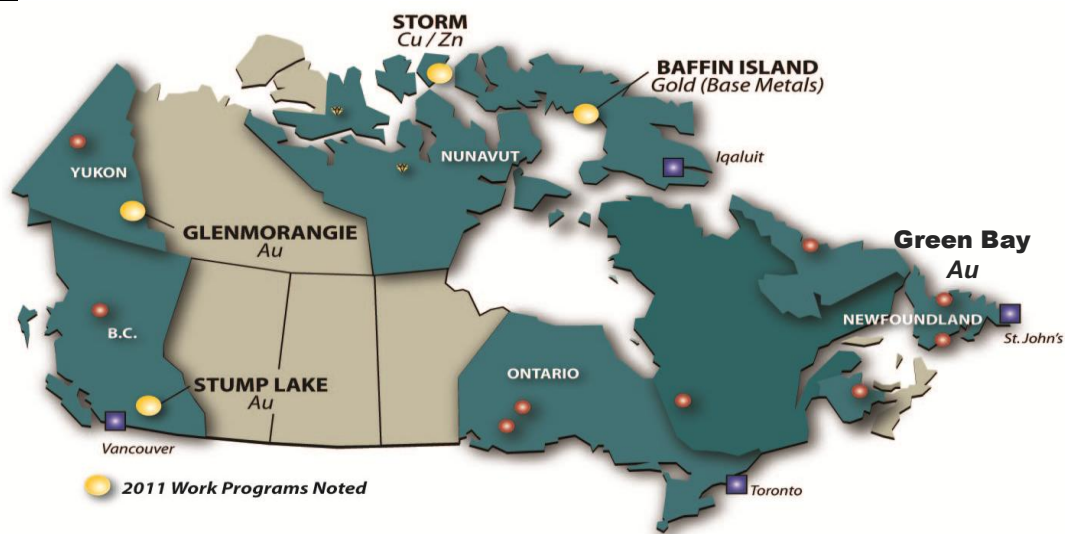
#### **5. Stump Lake Gold Property**

- a. In July 2011 Commander started work on the newly acquired Stump Lake gold property located 25 km south of Kamloops. The property, covering over 57 square kilometres, can be worked year-round and has good access by road. Scattered showings of a gold-bearing breccia unit were initially identified over a 1.2 kilometre strike length in limited outcrop with gold values ranging from 0.5 to 6 g/t Au. Mapping and sampling of the work extended the strike length of gold mineralization to over two and a half (2.5) kilometres.
- b. In October 2011, Commander commenced work on an Induced Polarization (IP) survey at the Stump Lake gold property. A detailed soil sampling program was carried out in the third quarter, and a 3 km by 3 km grid was installed for the IP survey. Analysis of the soil geochemistry and IP survey, in conjunction with the previously completed geological mapping, outcrop sampling and ground magnetic geophysical survey, were used to identify high priority drill targets for follow-up later.
- c. In February 2012, Commander commenced a six week drill program at the Stump Lake Gold property. A 2,000 metre diamond drill contract was awarded to Matrix Drilling, based in Kamloops. This first phase of drilling is designed to evaluate continuity and depth extent of a prospective north to northwest striking gold bearing quartz-carbonate epithermal brecciated vein system.

#### **6. Green Bay Gold Property**

- a. In November 2011, Commander's joint venture partner, Maritime Resources Corp. ("Maritime"), received a report from CAE Mining, identifying a preliminary estimate of gold mineralization that remains at their jointly held formerly producing Hammerdown mine located near Springdale, Newfoundland. As commissioned, CAE prepared a theoretical model of the Hammerdown mine incorporating 626 surface and underground diamond drill holes totalling 60,560 metres of drilling and containing 1,271 composite assays. The range of potential mineralization remaining at Hammerdown was estimated by CAE to range from 8.3 g/t Au to 16.6 g/t Au using a possible 7.0 g/t Au cut off. Consequently, there may be a possible mineralized deposit ranging from 360,000 to 480,000 ounces of gold remaining at Hammerdown. The CAE estimate is not NI 43-101 compliant. Maritime intends to upgrade the report to NI 43-101 status in 2012.
- b. In January 2012, Commander sold its remaining 50% interest in the Green Bay Property in Newfoundland to Maritime in exchange for 5 million common shares of Maritime, as provided in the agreement between the parties dated June 14, 2010. After completing the transaction, Commander held 17 million common shares of Maritime and retained a 2% NSR royalty on any future production from the property, with the exception of production from the Orion deposit.
- c. In February 2012, Commander sold 4.5 million common shares of Maritime to Rambler Metals Canada ("Rambler") through a private transaction. The shares were sold to Rambler at a price of \$0.23 per share for gross cash proceeds to Commander of \$1,035,000. Commander now holds 12.5 million common shares of Maritime, which represents 47.17% of the issued and outstanding shares of Maritime. Commander retains a 2% NSR on future production from portions of the Green Bay Property, Newfoundland, which is wholly owned by Maritime.

## Active Projects



### 1. Baffin Island Gold Project, Nunavut

The Baffin Gold Project represents a district-scale gold belt with similar geological and genetic origins to the large Homestake district in South Dakota and the Morro Velho gold deposit in Brazil. To date the Baffin Project has yielded numerous gold prospect areas occurring over a strike length in excess of 100 kilometres. The property includes high-grade gold occurrences in at least 3 separate iron formation units, within shear zones and in quartz veins in younger granodiorite, gabbro, and metasedimentary units. In each of the different settings, gold occurs primarily as free gold, disseminated, within quartz veins and associated with arsenopyrite. The most advanced prospects are Malrok and Ridge Lake, where multiple shallow gold drill intercepts require follow-up. The Brent Shear Zone and the Kanosak Prospect Area are gold targets outside of the iron formation units. Kanosak was first found in 2007, expanded and enhanced by work completed in 2008, and further expanded with new discoveries in 2009. The first drilling program in 2010 consisted of 1,962 metres in 13 holes.

The project area has access to tidewater and is dotted with deep lakes providing access to water throughout the year. There are two “Distant Early Warning” (DEW line) radar stations located on the Property, one with an operational 4,000 foot airstrip. Commander engaged GeoVector Management Inc. of Ottawa to manage the field program in 2006, 2007, 2008, 2009 and 2010.

The major prospects that constitute the Baffin project and recent work by Commander are described as follows:

#### ***Qimmiq Property***

Malrok, Ridge Lake, Brent, and Kanosak are located on the Qimmiq property along with several of the other gold prospect areas. In 2009, work was only completed on the Kanosak prospect area. In 2010, diamond drilling was completed on the Malrok Zone (3,597.5 metres in 19 holes) and the Kanosak prospect (1,962 metres in 13 holes).

#### ***Bravo Lake Property***

The main gold potential on the Bravo property exists on the far eastern group of claims that were originally covered by the 2369 prospecting permit. The main showing area is referred to as Durette. With the discovery of the new Kanosak Prospect area on the adjacent Qimmiq Property and Commander’s new partnership with AngloGold on the Baffin Island project, the Bravo Property was expanded by staking in 2009. Base metal (Zn, Pb) and silver potential exists on the Tuku claim group on the far western portion of the property.

#### ***Malrok***

Diamond drilling at Malrok in 2004 (3,617 metres in 39 holes) and the initial 2010 drilling (3,597.5 metres in 19 holes – results waited for 10 holes) confirmed the continuity of the iron formation with potential for high-grade gold zones. The Malrok zone is composed of structurally-thickened silicate iron formation units traced through surface sampling and drilling over a strike



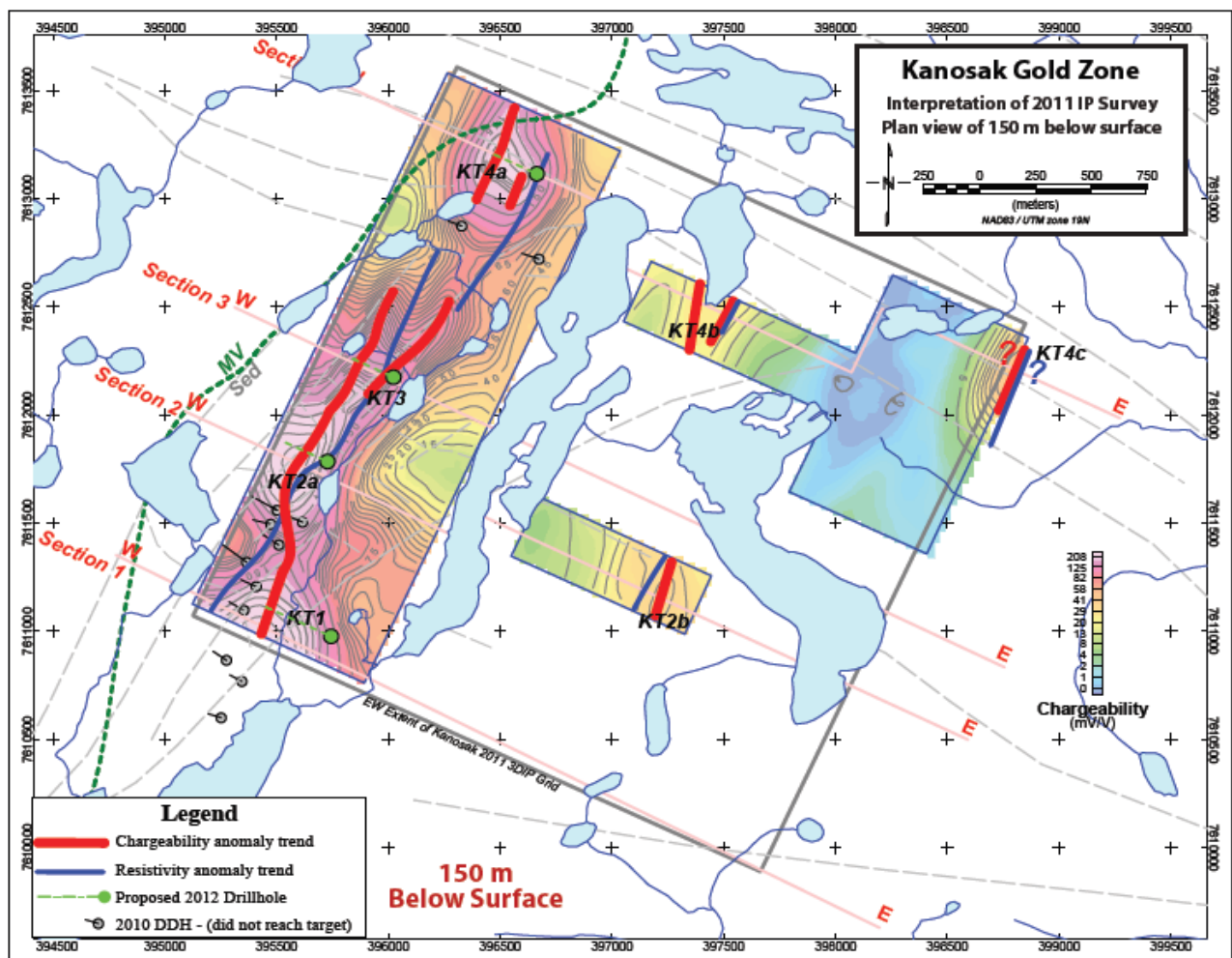
length of approximately 2 kilometres. The horizon varies in thickness from approximately 0.5 to greater than 9 metres. Surface samples returned high-grade gold assays of up to 212 g/t gold and drilling results down to 50 metres depth included 15.12 g/t gold over 3.0 metres and 12.1 g/t Au over 3.3 metres. The gold zone at Malrok is exposed at surface; the current drill data indicates that the zone is open to expansion along a predominant southeast or easterly plunge direction.

**Kanosak**

The Kanosak gold prospect is identified to cover a large area of about 4 km by at least 300 metres. It is characterized by two silicified strata, averaging 20 metres and 10 metres thick respectively, which carry gold mineralization associated with arsenopyrite. The area was first examined in 2010 with a drill campaign of 13 widely spaced shallow holes over a 2.5 km strike length. The drilling confirmed that a large gold bearing system is present over the entire strike length. The host strata dip gently to the east over a long distance, and can be traced to depth using a wide spaced IP array. In the 2011 field season an extensive IP survey, covering a nine square kilometre area and modelled in 3 dimensions, was carried out in order to expand the prospect area and identify the best potential targets for follow-up drilling in upcoming years.

The results from the deep sensing, 3-D Induced Polarization (IP) Survey conducted at the Kanosak gold prospect in the 2011 field season indicate the presence of a steeply dipping, cross-cutting zone of high chargeability and low resistivity below gold anomalous strata bound sulphide mineralization hosted in flat lying sediments over a 3 km strike length. The IP anomaly is interpreted as a possible feeder to the extensive surface mineralization. Trenching and shallow drilling has previously found widespread free gold in quartz veins and associated with disseminated arsenopyrite and pyrite.

**Baffin Island Gold Project**  
**Kanosak Prospect –IP Plan View**



## **2. Storm Copper Property, Nunavut**

The property consists of four permits covering 208,286 acres (84,291 ha) and is located on the northwest corner of Somerset Island adjacent to the Northwest Passage. The target is a large tonnage, high-grade sedimentary (carbonate) hosted copper deposit.

The property was initially discovered in the 1990's by Teck Resources (formerly Cominco Ltd.) and explored between 1995 and 2000. A small portion of the property, approximately 5 km<sup>2</sup>, received considerable attention, with detailed geochemical and drilling investigations. To date, 52 holes have been drilled in this area of interest, with 28 holes returning copper mineralization. Four zones of copper mineralization have been identified, outcropping at surface and extending to depths of at least 100 metres. These are located within 16 - 20 kilometres of tidewater.

The 4100N zone, the largest discovered, contains a consistent interval of copper mineralization starting at a depth of about 50 metres from surface, based on 17 widely spaced diamond drill holes. The zone extends over an area of at least 1000 metres x 400 metres and remains open. The 2750N zone is a pipelike breccia body that extends to depths in excess of 100 metres.

Examples of drill intersections from the 4100 and 2750 zones are highlighted in the following table:

<b>Zone</b>	<b>Drill Hole</b>	<b>Intersected Width (m)</b>	<b>Grade Cu %</b>
<b>4100N</b>	ST 99-47	17.20	3.50
	<i>Including</i>	11.00	4.90
	ST 00-62	52.60	1.14
	<i>Including</i>	7.30	2.41
	ST 97-13	71.70	1.01
<b>2750N</b>	ST 97-8	105.00	2.92
	<i>Including</i>	53.00	5.09
	ST 97-9	24.60	2.65
	ST 99-19	58.40	3.10
	<i>Including</i>	13.30	9.56
	ST99-43	35.50	1.00
	ST99-47	13.70	4.20
	ST00-62	52.60	1.14

Also of interest is the 3500N zone, which is exposed at surface over a 300 metre strike length. Limited drilling in 1999 returned encouraging results.

The copper mineralization discovered previously is exposed over a 7 km portion of a 30 km long structural corridor. Mineralization occurs as stratabound bodies and as large-scale fault-related high-grade breccia structures. The contact between the host Allen Bay and overlying Cape Storm formations appears to be favourable for mineral deposition. The most prominent feature on the property is a 7 km long block fault (graben) structure. This graben may hide offset portions of the known mineralization or new zones. There has been very little investigation carried out along strike or down dip beneath the cover of the Cape Storm formation. Drilling has been conducted only to a shallow depth in a few areas. Most of the mineralization found to date has been in the form of chalcocite, bornite and native copper. With higher prices now being used for the evaluation of copper projects (compared to prices used in the 1990's) the model being pursued is for a higher tonnage, lower grade copper resource at depth.

In November 2011, Commander entered into an Option Agreement with Aston Bay Ventures ("Aston Bay"). The Agreement provides Aston Bay the right to earn up to a 70% interest in Commander's wholly owned Storm Property, Nunavut by issuing a total of 3,000,000 shares to Commander, making total cash payments of \$150,000 and funding \$15 million in exploration expenditures that must include delivery of an Indicated Resource as defined in NI 43-101. Please refer to Note 13(d) in the consolidated financial statements for key agreement terms.

### **3. Glenmorangie, Yukon**

Commander negotiated an option agreement in early June 2011, for a package of claims located in the Little Highland River Valley, Watson Lake Mining District in Yukon. Recently, this region has seen a great deal of gold exploration activity following the success of the 3Ace property, owned by Northern Tiger, which is situated immediately south of Commander's new claims. 2010 reported drill results on the 3Ace property included intercepts of up to 14.8 g/t gold over 10.9 m, including 145 g/t over 1.05 m. The Property is located in the Selwyn Basin and the rock types consist of phyllites and shales of the Hyland Group and Vampire formation. Intruding the metasediments are younger cretaceous aged stocks and plutons, which are possible mineralizing events. The Little Highland River Valley is dominated by a major structural feature called the March fault and bounded to the north by the Dawson fault, and to the south-west, by the Tintina fault. The Tintina fault and associated splays have become synonymous with gold finds and the significance of this major tectonic event is still being studied. Mineralized quartz veins have been found on the Glenmorangie property and could either be associated with faulting events or with an underlying Cretaceous aged intrusion, or both.

The area has been explored with funding from the Yukon Mining Incentive Program (YMIP) for the past two seasons. Gold was first discovered on the adjacent Culvert claims, now owned by Hinterland Minerals. The main showing is located 1.5 km from Commander's claims and along trend. Stream sediment, soil sampling and rock chip sampling programs have been carried out with highlights of the rock chip program shown in the following table:

<b>Sample ID</b>	<b>Au - ppb</b>	<b>Sample ID</b>	<b>Au - ppb</b>
RS10A	139	RS14	365
RS15	107	RS 18	205
RS 35	924	RS 36	<b>1,485</b>
RS 43	748 RS	RS 44	442
RS61 A	430	RS61	B 265
RS 61	C 266	RS 63	877

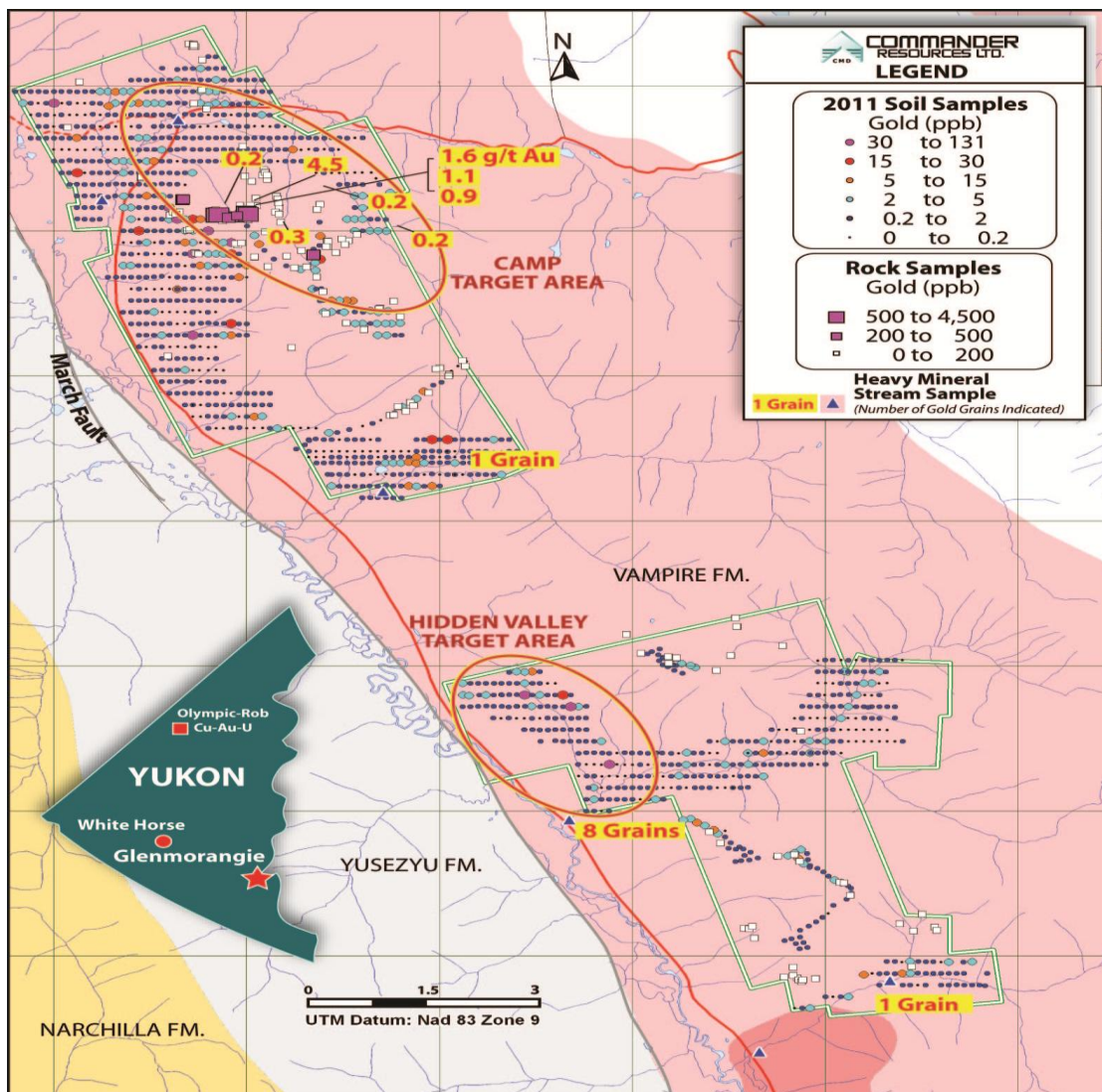
The field campaign carried out at the Glenmorangie gold property during 2011 identified two anomalous gold zones with values of up to 4.5 g/t gold in grab rock samples and anomalous soil values of up to 106 ppb gold. The first three km long by two km wide zone lies in the northern part of the claims where a significant number of quartz veins have been mapped and which trend in a north westerly direction.

The second zone is to the south, and was identified through mapping and sampling. Again, a north west trending fault system was discovered and along with this, gold was found in soils, with values up to 131 ppb gold. Heavy metal concentrate sampling of silts draining from this area returned 8 grains of gold, the highest number found to date from this method of sampling. Results of field program:

A total of 1,350 soil samples, 205 rock samples, 20 silt samples and six bulk silt samples were obtained from the Company's 5,600 ha property over a two month period last year. The samples were processed by ALS Minerals in their Whitehorse and Vancouver labs, using ICP-MS methods. A total of \$320,000 has been spent.

Geological mapping of the area has identified a significant amount of structural complexity, and identified a number of small intrusive bodies that had not been previously recorded. Further work will shed light on the coincidence of gold values along these structural corridors. A program for 2012 will be planned in the following months.

Glenmorangie, Yukon – Soil and Rock Samples



**4. Stump Lake, British Columbia**

Commander entered into a Letter of Intent dated June 10, 2011 to acquire a package of claims on a newly discovered epigenetic gold prospect in Southern BC. The package of claims is held by The Marlow Prospecting Syndicate of Kamloops (the “Marlows”) and has been increased by additional staking of adjacent claims by Commander. The property is located near Stump Lake, 25 km south of Kamloops and can be worked year-round with good access by road.

The Marlows recently discovered quartz-carbonate breccia exposures assaying up to 6 g/t Au. These breccias and associated open-space quartz veins clearly indicate the presence of a high-level, epigenetic gold mineralizing system. Examination and sampling by Commander during the due diligence period confirmed an extensive gold-bearing breccia-vein system which is exposed over a 1.2 km north-south strike extent. The geological setting and mineralization style shows some similarities to the Blackwater property owned by Richfield Ventures.

The Marlows hold five claims (2,140.84 hectares), and Commander Resources staked an additional eight claims (3,583.15 hectares), all of which will comprise the Stump Lake Property covering over 57 square kilometers. The property can be worked year-round and has good access by road. Scattered showings of a gold-bearing breccia unit were initially identified over a 1.2

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kilometre strike length in limited outcrop with gold values ranging from 0.5 to 6 g/t Au. Recent work has now extended the strike length of gold mineralization to over two and a half (2.5) kilometres.

A team of prospectors completed a 20 day program early in the summer collecting rock chip samples and soil samples on the western part of the claims. Based on the outcome of that work, a crew consisting of geologists, prospectors and soil samplers began work at the end of August to complete an intensive follow-up soil sampling and prospecting program on a 100m x 50m spaced grid covering the entire strike length of the mineralized trend. Approximately 2,000 soil samples are being collected as part of this program. Geological mapping is also in progress but available outcrop exposure is limited to occasional breaks in slope on the flat Interior plateau.

A total of 59 rock chip samples were collected during the 2011 early season prospecting program. These samples are sourced by coarse, quartz-carbonate breccia containing an abundant stockwork of open-spaced, chalcedonic quartz veins and fracture-fillings. Rock chip samples collected from the exposed outcrop yielded the following values of gold and molybdenum:

Sample #	g/t Au	ppm Mo	Sample #	g/t Au	ppm Mo
M412175	1.70	0.18	M412205	0.64	0.31
M412182	1.73	0.29	M412180	0.40	7.07
M412183	1.54	201.00	M412181	<D.L.	4.98
M412187	2.72	0.21	M412185	<D.L.	161.50
M412194	0.56	0.09	M412188	0.20	1.05
M412204	0.87	0.22			

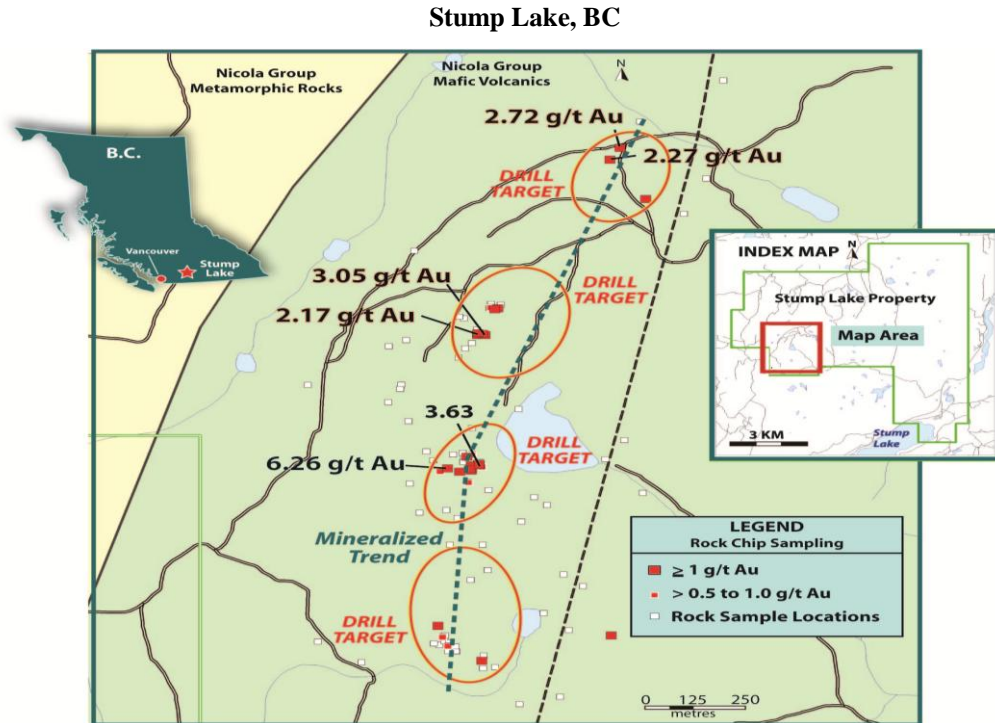
\*<D.L. = below detection limit

The breccia bodies have been emplaced at the western margin of a block of Triassic Nicola volcanics, a faultbounded uplift that juxtaposes older, arc-related volcanics with younger (Upper Cretaceous) granitoid intrusives. The Moore Creek Fault forms the western boundary of the block less than one kilometre from the Stump lake Showings.

Preliminary interpretation of regional magnetic data indicates a series of small intrusives underlie the gold prospective area. A ground mag survey was conducted as part of the current program and an Induced Polarization (IP) survey was carried out. During the months of August and September a detailed soil sampling program commenced, and a 3 km by 3 km grid was installed for the IP survey. Analysis of the soil geochemistry and IP survey, in conjunction with the previously completed geological mapping, outcrop sampling and ground magnetic geophysical survey, will be used to identify high priority drill targets for follow-up later this year.

A six week drill program commenced at the Stump Lake Gold property in mid-February 2012. A 2,000 metre diamond drill contract has been awarded to Matrix Drilling, based in Kamloops. This first phase of drilling is designed to evaluate continuity and depth extent of a prospective north to northwest striking gold bearing quartz-carbonate epithermal brecciated vein system. Analytical work will be carried out by SGS Mineral Services in Vancouver.

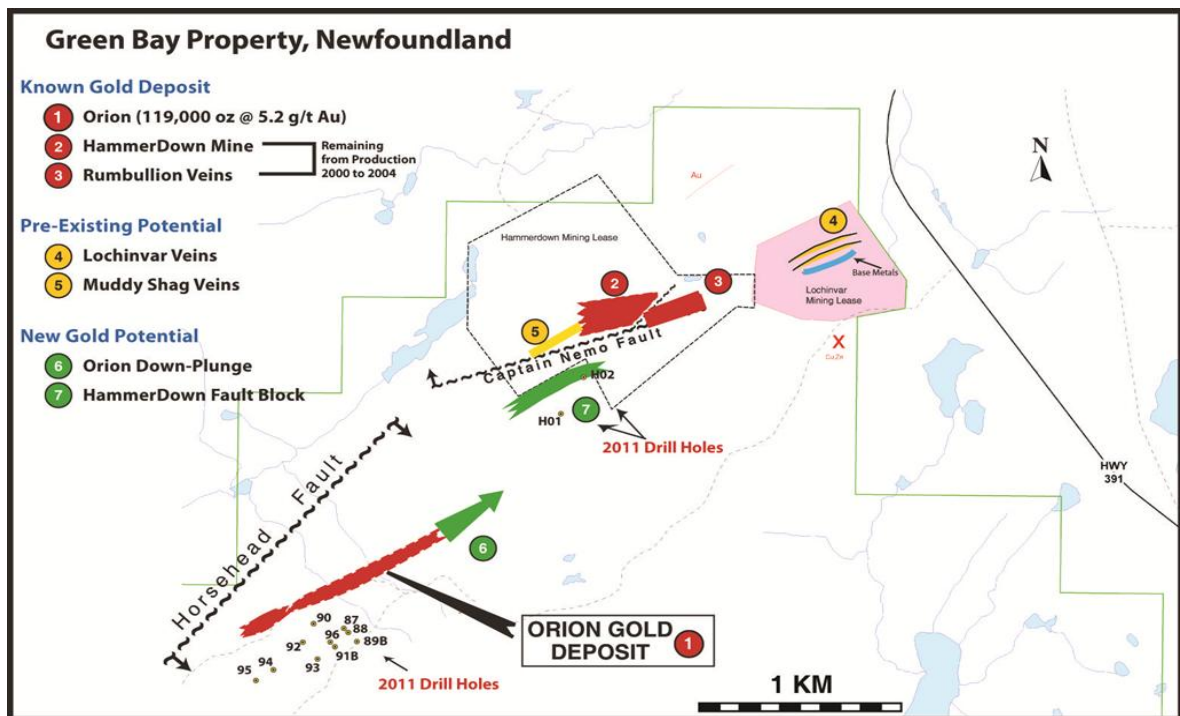
The area to be drilled is located approximately five kilometres west of Stump Lake and 25 kilometres south of New Gold's NewAfton copper-gold mine and the Ajax copper-gold deposit. The region encompasses the Nicola volcanic rocks of Triassic age. On the western side of the claims, a Jurassic-Cretaceous granodioritic batholith and a graphitic schist unit have been juxtaposed against the Nicola volcanics by a regional uplifting fault (Moore Creek fault). The Moore Creek fault is a north, north-west lineament and trends through the Iron Mask batholith that hosts the Ajax and Afton deposits. The brecciated epithermal veins that have been found to date on the property are interpreted to represent an extensional phase of movement coincident with the Moore Creek fault. Textures within the vein system indicate multiple phases of fluid movement of variable temperatures, features which are essential components for introducing metal mobility and deposition.



## 5. The Green Bay Gold Project, Newfoundland

### *Orion Gold and HammerDown Camp Map and Drill Holes*

Commander's subsidiary, Maritime, completed a drilling program of 13 core holes totalling 4,948 metres at the Orion gold project located near Springdale, Newfoundland and was successful in expanding the extent of known mineralization. The Company is now focusing on identifying the gold mineralization that remains at the formerly producing Hammerdown mine located two kilometres from Orion.



Drilling Results at Orion

Drill Hole Number	Name	From – To (metres)	Total (metres)	Average g/t Gold
11-87	Discovery Vein	303.20 to 304.05	0.85	1.99
	Main Vein	320.55 to 320.90	0.35	3.93
11-88	No Significant Values			
11-89	Discovery Vein	390.10 to 392.20	2.1	7.47
	(including)	390.95 to 392.20	1.25	10.16
11-90	Main Vein	432.80 to 434.00	1.2	16.58
	(including)	433.10 to 433.70	0.6	32.51
11-91	No Significant Values			
11-92	Hanging Wall Vein	102.75 to 103.05	0.3	1.01
	Hanging Wall Vein	151.05 to 151.70	0.65	1.46
11-93	No Significant Values			
11-94	Foot Wall Vein	334.50 to 335.30	1.3	2
11-95	New Zone	69.70 to 70.00	0.3	1.86% Zn
				0.28% Cu
				2.9 oz/t Ag
				0.79 g/t Au
11-96	No Significant Values			
11-97	Discovery Vein	327.15 to 328.45	1.3	15.5
	(including)	327.65 to 327.95	0.3	66
	Main Vein	No Significant Values		
11-98	Hanging Wall Vein	216.00 to 216.60	0.6	1.6
	Discovery Vein	378.35 to 378.90	0.55	0.04
	Main Vein	393.75 to 394.55	0.8	0.05

Estimated true width is 85% of drill hole intercept. Diagrams of longitudinal sections showing drill hole pierce points and assays over 1 g/t Au are posted on Maritime's website. It is noted from these sections that high grade gold lenses are developing from 175 metres to 300 metres depth in both vein zones. These lenses, grading from 10 to 16 g/t Au over minimum mining thickness of 1.2 metres are developing close to the basal Horsehead Fault and, in part, appear to plunge down to the northeast, parallel to the fault. It is significant that these high grade intersections contain numerous visible grains of gold (20-60 counts), which may be related to structural preparation proximal to the Horsehead Fault. Both the Discovery and Main vein zones remain open at depth and down plunge from the last high grade intercepts.

The 4,948 metre drill program cost \$606,300 (\$122/metre), including all assays, logistics and labour. The Springdale area of Newfoundland continues to be a very low cost and effective area to explore and develop mineral resources. The drill campaign is expected to add high grade gold intervals in extensions of the previously identified Discovery and Main Vein zones. More details can be found at Maritime's filings on SEDAR.

### ***Hammerdown***

The Hammerdown mine is located less than one kilometre from a paved highway and electrical power line in an active mining district of central Newfoundland. Experienced miners live within commuting distance of the mine. The multi-vein Hammerdown gold mine was operated by Richmond Mining from 2000 until April, 2004 during which the gold price averaged about \$300/oz. 315,000 tonnes of ore were extracted, at an average grade of 16.1 g/t Au, yielding 157,000 ounces of gold. The Hammerdown deposit is relatively shallow at less than 250 m in depth and was mined underground using cut-and-fill methods from ramp access. There was also a shallow open pit surface operation. The ore was trucked to, and processed at, the Nugget Pond mill, now active and owned by Rambler. Following closure of the mine, Maritime acquired the property and mining records.

In November 2011, Commander's joint venture partner, Maritime, received a report from CAE Mining identifying a preliminary estimate of gold mineralization that remains at their jointly held formerly producing Hammerdown mine located near Springdale, Newfoundland. Maritime engaged CAE to prepare an estimate of resources remaining at the formerly producing Hammerdown mine utilizing historic drill and mining records. Maritime is encouraged by the estimate that has been received and has decided to proceed with producing a NI 43-101 compliant Technical Report.

The range of potential mineralization remaining at Hammerdown is estimated by CAE to range from 1,800,000 tonnes grading 8.3 g/t Au at a possible 1.0 g/t Au cut off, to 675,000 tonnes grading 16.6 g/t Au using a possible 7.0 g/t Au cut off. This would result in a possible mineralized deposit ranging from 360,000 to 480,000 ounces of gold remaining at Hammerdown. The potential quantity and grade is conceptual in nature and, in accordance with NI 43-101 guidelines, it is uncertain if further exploration will result in the target being delineated as a mineral resource.

In January 2012, Commander sold its remaining 50% interest in the Green Bay Property in Newfoundland to Maritime in exchange for 5 million common shares of Maritime, as provided in the agreement between the parties dated June 14, 2010. After completing the transaction and transfer of the property to Maritime, Commander held 17 million common shares of Maritime and retained a 2% NSR royalty on any future production from the property, with the exception of production from the Orion deposit.

In February 2012, Commander sold 4.5 million shares of Maritime to Rambler at a price of \$0.23 per share. Commander now holds 12.5 million common shares of Maritime, which represents 47.17% of the currently issued and outstanding shares of Maritime. Commander retains a 2% NSR on future production from portions of the Green Bay Property, Newfoundland, which is wholly owned by Maritime.

## **6. [Nepisiquit-Stewart Property, New Brunswick](#)**

Commander's joint venture partner, Stratabound, encountered significant intervals of high grade copper mineralization at the Stewart copper prospect on Commander's Nepisiquit property, Bathurst district, New Brunswick. Hole STW-10-1 intersected 3.5 metres grading 2.07% copper. Hole STW-10-2 cut 89.5 metres grading 0.75% copper with high grade intervals up to 3.1% copper over 4 metres, and significant gold, silver and cobalt credits. Detailed drill results and descriptions from hole STW- 10-2 are given below.



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Four holes, totaling 1,064 metres, were drilled by Stratabound. The first two holes were collared about 125 metres southwest of previously drilled hole NB-97-8 (1.04% copper over 25.5m), and 35 metres southwest of hole NB-97-10 (1.24% copper over 27.2m, including 13.25m grading 2.57%). Hole STW-10-2, drilled from the same location as STW-10-1 but with a steeper inclination, was intended to hit the NB-97-10 zone at about 185 metres down hole. At 137m the rods became stuck and the hole was abandoned before reaching the intended target. However, the drill hole intersected a substantial copper-cobalt-silver sulphide zone from surface down to 90 metres with the following assay results:

<b>Drill hole</b>	<b>From (metres)</b>	<b>To (metres)</b>	<b>Length (metres)</b>	<b>Copper (%)</b>	<b>Cobalt (%)</b>	<b>Gold (g/t)</b>	<b>Silver (g/t)</b>
STW-10-2	0.5	90	89.5*	0.75	0.018	0.11	6.26
including	0.5	11	10.5	1.86	0.019	0.27	12.1
including	0.5	5	4.5	2.35	0.020	0.37	17.11
and	8	11	3	2.34	0.024	0.31	13.43
	62	90	28	1.12	0.029	0.18	10.97
including	72	90	18	1.46	0.037	0.23	14.85
including	72	76	4	3.13	0.040	0.55	30.21
and	84	90	6	1.86	0.069	0.30	17.22

*\* Includes 14 metres of un-assayed material (26m-33m and 12m-19m) which have been assigned assay values of zero.*

Stratabound has Quality Control and Quality Assurance protocols in place for drill core that include blank samples, duplicate samples, certified standards and third party check samples.

## **7. Other Properties**

### *Olympic Property*

The Olympic copper-gold property is located north of Dawson City in the Yukon and has claims covering 4,431 hectares. The property covers a very large (+10 km) hematite breccia complex with numerous copper and copper-gold showings which are similar in style and age to the Olympic Dam deposit in Australia. Two deep seated magnetic blocks have recently been identified which underlie the western portion of the breccia complex based on airborne EM-Mag surveys. Although some drilling has been completed at Olympic, these new targets have not been evaluated or tested.

The Olympic property is located just within the boundary of the Peel River Land Use Planning area. The final recommendations regarding use of the land within this area has not yet been completed by the Planning Commission.

### *Sabin Property, Ontario*

The Sabin copper-zinc property is a large (114 claims) holding located in northwest Ontario. It is situated at the north end of the Sturgeon Lake Greenstone Belt which hosted the precious metal rich Mattabi and Lynn Lake VMS deposits. As the property is crossed by major paved highways and is only 8 km from the CN Mainline at Savant Lake, it can be worked year round. Historic work on this property discovered significant base metal and precious metal showings.

Work on Sabin in 2011 consisted of detailing several large geochemical/geophysical targets on highly altered felsic volcanics. As Sabin has never been explored for gold, Commander's 2011 program was to evaluate the Rainy River style of mineralization on the property for its gold potential.

## **8. Write-down of Mineral Properties**

During the year ended December 31, 2011, Commander conducted an assessment of all its mineral properties by reviewing facts and circumstances that would impair carrying values on the statement of financial position under accounting guidances in IFRS 6 "Exploration for and Evaluation of Mineral Resources." Mineral properties with a total value of \$3,958,279 were written down and recorded to the statement of operations, and represented a substantial portion of the net loss for the year in 2011. Commander believes the write-down on its accounting book value does not necessarily mean a real impairment to the value of those mineral properties from a business perspective but more a focus of its current resources on certain other properties. Commander continues to explore different alternatives to realize those properties' value through joint venture or further exploration as opportunities or circumstances become right. The following table lists all the properties written down in 2011:

<b>Properties</b>	<b>Amount of Impairment</b>
<b>Labrador Properties</b>	
Sadie	\$ 127,856
<b>Newfoundland</b>	
Bay St. George	659
Cape St. John	13,560
Cochrane Pond	51,375
Couteau Hills	158,937
Hermitage	2,592,519
Murphy	78,343
Strickland	929,499
<b>British Columbia</b>	
Hal	1,217
Hunter IV	3,983
Takla	331
<b>Total</b>	<b>\$ 3,958,279</b>

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**Transaction with Maritime**

Effective October 5, 2010, Commander received 12 million common shares held in escrow of Maritime in exchange for a 50% interest in the Green Bay Property, located in the King's Point area, Newfoundland. Maritime is responsible for funding all exploration expenditures and is committed to conducting \$750,000 of mineral exploration activities on the property by April 5, 2012. As of December 31, 2011, \$824,050 has been expended, satisfying this requirement.

As a result of the above transaction, Commander acquired a controlling interest of 55.81% of Maritime's issued and outstanding shares and has continued to consolidate the results of Maritime. Of the 12 million shares received, 4.8 million have been released from the escrow and become free trading shares. The remainder will be released at 6 months intervals up to October, 2013 (1.8 million every 6 months).

In January 2012, the Commander sold its remaining 50% interest in the Green Bay Property to Maritime in exchange for 5 million common shares of Maritime, as provided in the agreement between the parties dated June 14, 2010. As a result of the transaction, Commander held 17 million common shares of Maritime and retained a 2% NSR royalty on any future production from the property, with the exception of production from the Orion deposit

In February 2012, Commander sold 4.5 million common shares of Maritime to Rambler. Commander now holds 12.5 million common shares of Maritime, which represents 47.17% of the issued and outstanding shares of Maritime. Commander retains a 2% NSR on future production from portions of the Green Bay Property, now wholly owned by Maritime.

The amount of non-controlling interest as at December 31, 2011 is as follows:

Proportionate share of identifiable net assets of	
Maritime on acquisition	\$ 519,829
Share of post acquisition loss for the year	(102,404)
Share of post acquisition share-based payments	<u>81,703</u>
<b>Balance at December 31, 2010</b>	499,128
Share of loss for the year	(29,936)
Share of share-based payments for the year	<u>39,721</u>
<b>Balance at December 31, 2011</b>	<u><u>\$ 508,913</u></u>

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**Selected Annual Information**

	<b>2011</b>	<b>2010</b>	<b>2009</b>
Total revenues	\$ Nil	\$ Nil	\$ Nil
Loss before other items	(1,391,059)	(1,609,344)	(792,004)
Loss for the year	(3,974,813)	(2,344,265)	(227,403)
Loss for the year attributable to owners of the parent	(3,944,877)	(2,241,861)	(227,403)
Basic and diluted loss per share	(0.041)	(0.026)	(0.003)
Basic and diluted loss per share attributable to owners of the parent	(0.041)	(0.025)	(0.003)
Total assets	\$ 21,168,452	\$ 24,438,848	\$ 24,341,591
Total long-term liabilities	677,972	1,475,859	1,472,945
Cash dividends per share	\$ Nil	\$ Nil	\$ Nil

**Results of Operations**

The consolidated financial statements of the Company to which this MD&A relates were prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). This is the first time that the Company prepares its annual consolidated financial statements in accordance with IFRS, having previously prepared its financial statements in accordance with pre-changeover Canadian Generally Accepted Accounting Principles (pre-changeover Canadian GAAP).

An explanation of how the transition to IFRS has affected the reported financial position, financial performance and cash flows of the Company is provided in Note 22 to the December 31, 2011 financial statements. This note includes information on the provisions of IFRS 1 and the exemptions that Commander elected to apply, reconciliations of equity, net income and comprehensive income for comparative periods and equity at the date of transition, January 1, 2010.

**Fourth Quarter Results**

During the quarter ended December 31, 2011, Commander incurred exploration costs of \$772,159 on various properties (\$4,647,437 for year ended December 31, 2011). The largest mineral property exploration expenditures during the quarter were for the Stump Lake property, which amounted to \$304,964 (\$453,373 for year ended December 31, 2011).

Mineral property expenditures on the Baffin Island Gold project amounted to \$262,080 (\$2,123,918 for year ended December 31, 2011). These expenditures were recovered from the advances provided by AngloGold Ashanti.

The spending on other active projects during the quarter included \$52,708 for Glenmorangie, and \$46,047 for Storm (for the year ended December 31, 2011- Glenmorangie \$405,687 and Storm \$904,116).

Expenditures incurred by Maritime on the Green Bay property amounted to \$95,066 (\$731,759 for year ended December 31, 2011). Maritime recovered an additional \$100,000 exploration costs from the Government of Newfoundland and Labrador’s Junior Exploration Assistance Program (\$200,000 for the year ended December 31, 2011).

Total general and administrative expenses incurred during the quarter were \$308,773 of which \$82,648 was non-cash share-based payments. During the same period of 2010, the total general and administrative expenses were \$415,572 and share-based payments were \$211,206.

Commander also incurred an exchange loss of \$10,607, mainly due to the cash holding in USD bank account as of December 31, 2011 (\$14,082 for year ended December 31, 2011).

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**Year Ended December 31, 2011 compared with the Year Ended December 31, 2010**

During the year ended December 31, 2011, Commander's activities focused primarily on the explorations of Baffin Island Gold, Storm Copper, Nunavut, Glenmorangie Gold, Yukon, Stump Lake Gold, BC, and Green Bay Orion Gold, Newfoundland. Commander had no revenue for the year ended December 31, 2011. General and administrative expenses decreased by \$218,285 to \$1,391,059 compared to \$1,609,344 in 2010 mainly attributable to a decrease of \$320,351 in non-cash share-based payments. Please note that Commander started to consolidate Maritime's financials in the fourth quarter of 2010. Most increases in expenses of Commander this year compared to 2010 are due to the consolidation of Maritime which was not included in Commander's financials during the first three quarters of 2010.

Some notable variances are analyzed below:

- Accounting and audit increased by \$49,144 to \$156,420 (2010 - \$107,276) due to the consolidation of the accounting and audit expense of Maritime. Commander did not have the subsidiary during the same period last year.
- Consulting expense increased by \$34,524 to \$127,313 (2010 - \$92,789) in the year ended December 31, 2011, mainly due to incorporating the expenses of Maritime in the consolidated financial statements.
- Salaries and benefits expense increased slightly to \$242,365 from \$230,966 in 2010.
- Legal fees increased to \$31,671 as compared to \$21,428 during the same period last year. The increase is also due to the inclusion of Maritime's legal expenses in the consolidated financial statements.
- Administration and others decreased slightly to \$218,463 from \$234,560 in 2010. Items included in administration and others are annual report and meeting, insurance, office and miscellaneous, regulatory and transfer agent fees, rent and storage. The main reduction was in computer maintenance (2011 - \$5,792; 2010 - \$27,511).
- Investor relations and promotion expenses increased to \$192,673 (2010 - \$165,411). Consulting, promotion and other expenses increased during the year as follows:

	For the Year Ended		For the Three Months Ended	
	Dec 31, 2011	Dec 31, 2010	Dec 31, 2011	Dec 31, 2010
Conferences and trade shows	\$ 37,731	\$ 43,592	\$ 3,797	\$ 611
Consulting, wages and benefits	91,976	71,730	24,558	22,523
Media	35,950	35,232	4,884	4,766
Administration	-	375	-	375
Promotion and advertising	27,016	14,482	3,871	3,907
<b>Total Investor Relations Expenses</b>	<b>\$ 192,673</b>	<b>\$ 165,411</b>	<b>\$ 37,110</b>	<b>\$ 32,182</b>

- Share-based payments for the year were \$425,121 comparing to \$745,471 in 2010 as less stock options were granted with lower exercise prices.
- The Company wrote down a total of \$3,958,279 on impaired properties (2010 - \$784,776). More information is available in the "Write-down of Mineral Properties" on page 13.
- Loss realized on the investment in securities of \$73,885 included a gain of \$22,156 (2010 - \$Nil) on the disposal of marketable securities and a loss of \$96,041 (2010 - \$29,441 gain) on expired unexercised Fjordland warrants.
- For the year ended December 31, 2011, Commander's net loss was \$3,974,813 (2010 - \$2,344,265) and loss attributable to common shareholders was \$3,944,877 (2010 - \$2,241,861). The increase in loss was largely due to the increase in write-down of mineral properties of \$3,958,279 (2010 - \$784,776).

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**Summary of Quarterly Results**

	In accordance with							
	IFRS							
	Mar. 31	June 30	Sept. 30	Dec. 31	Mar. 31	Jun. 30	Sep. 30	Dec. 31
	2010	2010	2010	2010	2011	2011	2011	2011
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Mineral property costs deferred, net	\$ (3,377)	\$ (73,092)	\$ (59,498)	\$ (141,138)	\$ (377,968)	\$ 896,791	\$ 728,872	\$ (3,667,394)
G&A (incl. share-based payments)	\$ 434,506	\$ 432,631	\$ 326,211	\$ 415,996	\$ 381,846	\$ 425,098	\$ 275,342	\$ 308,773
Share-based payments expense	\$ 236,611	\$ 206,561	\$ 91,093	\$ 211,206	\$ 119,385	\$ 173,711	\$ 49,377	\$ 82,648
Adjusted G&A (less share-based payments)	\$ 197,895	\$ 226,070	\$ 235,118	\$ 204,790	\$ 262,461	\$ 251,387	\$ 225,965	\$ 226,125
Loss	\$ (451,116)	\$ (439,881)	\$ (332,606)	\$ (1,120,662)	\$ (324,725)	\$ (458,800)	\$ (224,672)	\$ (2,966,616)
Loss attributable to owners of the parent	\$ (451,116)	\$ (439,881)	\$ (332,606)	\$ (1,018,258)	\$ (346,364)	\$ (423,109)	\$ (196,114)	\$ (2,979,290)
Loss per share								
-basic and diluted	\$ (0.005)	\$ (0.005)	\$ (0.004)	\$ (0.012)	\$ (0.004)	\$ (0.004)	\$ (0.002)	\$ (0.030)
Loss per share attributable to owners of the parent								
-basic and diluted	\$ (0.005)	\$ (0.005)	\$ (0.004)	\$ (0.011)	\$ (0.004)	\$ (0.004)	\$ (0.002)	\$ (0.030)
Weighted avg. common shares								
-basic and diluted	90,207,516	90,589,516	90,881,701	90,942,516	90,942,516	95,904,894	99,853,418	99,892,548

**Non-GAAP Financial Measures**

Since the adoption of the accounting standard for share-based payments, Commander's general and administrative quarterly expense has fluctuated significantly. The granting and vesting of stock options is at the discretion of the Board of Directors and the resulting expense does not reflect the normal operations of Commander. Commander has included "adjusted general and administrative expense" without the share-based payments expense to be more reflective of normal operations. This financial measure does not have any standardized meaning prescribed by IFRS and may not be comparable to similar measures presented by other corporations or entities.

**Liquidity and Capital Resources**

At December 31, 2011, Commander had \$1,175,776 in cash and cash equivalents.

Commander has relied on equity financings to meet its cash requirements. In 2009, Commander's Farm-in and Joint Venture Agreement with AngloGold created both immediate equity financing of \$1.2 million and funding of \$20 million in exploration expenditures by December 31, 2014.

On May 19, 2011, Commander completed a non-brokered private placement of 8,500,032 units priced at \$0.24 per unit to raise \$2,040,008 to finance exploration on Commander's projects in Canada. Each unit consists of one flow-through common share and one-half non flow-through share purchase warrant. Each whole non flow-through share purchase warrant entitles the holder to purchase one common share at a price of \$0.30 for two years following the closing.

Although Commander has been successful in the past in obtaining financing through the sale of equity securities, there can be no assurance that Commander will be able to obtain adequate financing in the future or that the terms of such financings will be favourable.

There is no significant commitment for capital expenditure.

**Off-Balance Sheet Arrangements**

Commander has not entered into any off-balance sheet arrangements.

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**Related Party Transactions**

**(a) Trading transactions**

Commander's related parties consist of companies controlled by officers and directors. Commander incurred the following fees and expenses in the normal course of operations in connection with companies controlled by key management and directors for the three months and year ended December 31, 2011 and 2010:

	Year Ended December 31		Three Months Ended December 31	
	2011	2010	2011	2010
Accounting	\$ 72,000	\$ 12,000	\$ 18,000	\$ 12,000
Consulting	115,500	55,000	33,000	14,000
Geological consulting	112,110	48,670	31,100	15,595
Legal	24,188	18,617	16,980	2,243
Office rent and administrative	78,590	73,182	19,923	18,383
	\$ 402,388	\$ 207,469	\$ 119,003	\$ 62,221

These transactions were recorded at fair value, being the amount agreed upon by the related parties.

At December 31, 2011, there was \$10,390 due from officers for project and expense advances (December 31, 2010 - \$4,000) and \$254 (December 31, 2010 - \$362) for administrative and office expenses from a company related by a director in common.

Amounts outstanding due to related parties included in accounts payable as at December 31, 2011 were \$2,158 for administrative and office expenses to a company related by a director in common (December 31, 2010 - \$3,843) and \$17,706 for legal fees to a law firm related by a director in common (December 31, 2010 - \$836).

At December 31, 2011 and 2010, marketable securities included 258,000 common shares of Diamonds North Resources Ltd., a company related by a director in common.

**(b) Compensation of key management personnel**

The remuneration of directors and other members of key management personnel during the three months and year ended December 31, 2011 and 2010 were as follows:

	For the Year Ended December 31		For the Three Months Ended December 31	
	2011	2010	2011	2010
Accounting	\$ 72,000	\$ 12,000	\$ 18,000	\$ 12,000
Consulting	115,500	55,000	33,000	14,000
Geological consulting	112,110	48,670	31,100	15,595
Salaries and benefits	404,627	388,679	114,736	70,206
Share-based payments	280,950	561,318	32,733	134,062
	\$ 985,187	\$ 1,065,667	\$ 229,569	\$ 245,863

The compensation includes trading transactions disclosed above.

Key management personnel were not paid post-employment benefits, termination benefits, or other long-term benefits during the year ended December 31, 2011 and 2010.

**Proposed Transactions**

No transaction proposed.

### **Disclosure Controls and Internal Controls Over Financial Reporting**

Commander's President & Chief Executive Officer (CEO) and Chief Financial Officer (CFO) are responsible for establishing and maintaining disclosure controls and procedures and internal controls over financial reporting for Commander.

In accordance with the requirements of National Instrument 52-109, Certification and Disclosure in Commander's annual and interim filings, evaluations of the design and operating effectiveness of disclosure controls and procedures ("DC&P") and the design effectiveness of internal control over financial reporting ("ICFR") were carried out under the supervision of the CEO and CFO as of the end of the period covered by this report.

The CEO and CFO have concluded that the design and operation of disclosure controls and procedures were adequate and effective to provide reasonable assurance that material information relating to Commander would have been known to them and by others within those entities. The CEO and CFO have also concluded that Commander's internal controls over financial reporting are designed effectively to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

While there were no changes that occurred for the most recent fiscal period that have materially affected Commander's internal control procedures, the CEO and CFO will continue to attempt to identify areas to improve controls and intend to incorporate such improvement over the next fiscal period.

Commander Resources Ltd. disclosed that

(1) the Company is not required to certify the design and evaluation of the Company's DC&P and ICFR and has not completed such an evaluation; and

(2) inherent limitations on the ability of the certifying officers to design and implement on a cost effective basis DC&P and ICFR for the Company may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

### **Critical Accounting Estimates**

The most significant accounting estimates for Commander relates to the carrying value of its exploration and evaluation assets. All deferred mineral property expenditures are reviewed, on a property-by-property basis, to consider whether there are any conditions that may indicate impairment. When the carrying value of a property exceeds its net recoverable amount that may be estimated by quantifiable evidence of an economic geological resource or reserve, joint venture expenditure commitments or Commander's assessment of its ability to sell the property for an amount exceeding the deferred costs, a provision is made for the impairment in value.

Management's estimates of exploration, operating, capital and reclamation costs are subject to certain risks and uncertainties which may affect the recoverability of mineral property costs. Although management has made its best estimate of these factors, it is possible that changes could occur in the near term that could adversely affect management's estimate of the net cash flow to be generated from its properties.

Another significant accounting estimate relates to accounting for share-based payments and derivative instruments. Commander uses the Black-Scholes Option Pricing Mode to estimate the fair value of share-based payments and warrants. Option pricing models require the input of highly subjective assumptions including the expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore the existing models do not necessarily provide a reliable single measure of the fair value of Commander's stock options granted/vested during the period.

### **New Accounting Policies**

The following new accounting standards have been adopted by Commander:

The financial statements have, accordingly, prepared in accordance with International Accounting Standards ("IAS") 34 Interim Financial Reporting. These are Commander's first financial statements prepared in accordance with IFRS and IFRS 1 First-time



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Adoption of International Financial Reporting Standards has been applied. They do not include all of the information required for full annual financial statements.

**Accounting Standards Issued But Not Yet Effective**

Commander has not early adopted the following revised standards and is currently assessing the impact that these standards will have on the financial statements.

(i) IFRS 9 Financial Instruments (2009)

IFRS 9 introduces new requirements for classifying and measuring financial assets, as follows:

- Debt instruments meeting both a “business model” test and a “cash flow characteristics” test are measured at amortized cost (the use of fair value is optional in some limited circumstances)
- Investments in equity instruments can be designated as “fair value through other comprehensive income” with only dividends being recognized in profit or loss
- All other instruments (including all derivatives) are measured at fair value with changes recognized in the profit or loss
- The concept of “embedded derivatives” does not apply to financial assets within the scope of the standard and the entire instrument must be classified and measured in accordance with the above guidelines.

This standard is only applicable if it is optionally adopted for annual periods beginning before January 1, 2013. For annual periods beginning on or after January 1, 2013, the Company must adopt IFRS 9 (2010).

(ii) IFRS 9 Financial Instruments (2010)

IFRS 9 as issued reflects the first phase of the IASB work on the replacement of IAS 39 and applies to classification and measurement of financial assets as defined in IAS 39. The standard is effective for annual periods beginning on or after 1 January 2013. In subsequent phases, the IASB will address classification and measurement of financial liabilities, hedge accounting and derecognition. The completion of this project is expected in early 2011. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of Commander’s financial assets. Commander will quantify the effect in conjunction with the other phases, when issued, to present a comprehensive picture. IFRS 9 incorporates revised requirement for the classification and measurement requirement of financial liabilities, and carry over the existing de-recognition requirements from IAS 39 Financial Instruments: Recognition and Measurement.”

The revised financial liability provisions maintain the existing amortized cost measurement basis for most liabilities. New requirements apply where an entity chooses to measure a liability at fair value through profit or loss – in these cases, the portion of the change in fair value related to changes in the entity's own credit risk is presented in other comprehensive income rather than within profit or loss.

Applies to annual periods beginning on or after January 1, 2015, this standard supersedes IFRS 9 (2009). However, for annual reporting periods beginning before January 1, 2015, an entity may early adopt IFRS 9 (2009) instead of applying this standard.

(iii) IFRS 10 Consolidated financial statements

IFRS 10 establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. The standard builds on the existing principles of ‘control’ by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard is effective for annual periods beginning on or after January 1, 2013. There will be no significant impact the Company upon implementation of this standard.

(iv) IFRS 11 Joint arrangements

IFRS 11 provides for a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form (as is currently the case). The standard addresses inconsistencies in the reporting of joint arrangements by requiring a single method to account for interests in jointly controlled entities. The standard is effective for annual periods beginning on or after January 1, 2013.

(v) IFRS 12 Disclosure of interests in other entities

IFRS 12 is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including subsidiaries, joint arrangements, associates and unconsolidated structured entities. The standard is effective for annual periods beginning on or after January 1, 2013. There will be no significant impact the Company upon implementation of this standard.

(vi) IFRS 13 Fair value measurements and disclosure requirements

In May 2011, the IASB published IFRS 13 as a new comprehensive standard on measuring and disclosing fair value and will supersede all other fair value guidance in IFRS. The standard is effective for annual periods beginning on or after January 1, 2013.

(vii) IAS 27 Separate Financial Statements

IAS 27 is amended to deal with the requirements for separate financial statements, which have been carried over largely unamended from IAS 27 Consolidated and Separate Financial Statements. Requirements for consolidated financial statements are now contained in IFRS 10 Consolidated Financial Statements. This standard is effective for annual periods beginning on or after January 1, 2013. There will be no significant impact to the Company upon implementation of the issued standard.

(viii) IAS 28 Investments in Associates and Joint Ventures

IAS 28 is amended to prescribe the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. The standard defines "significant influence" and provides guidance on how the equity method of accounting is to be applied (including exemptions from applying the equity method in some cases). It also prescribes how investments in associates and joint ventures should be tested for impairment. This standard is effective for annual periods beginning on or after January 1, 2013. There will be no significant impact to the Company upon implementation of the issued standard.

(ix) IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine

IFRIC 20 clarifies the requirements for accounting for stripping costs associated with waste removal in surface mining, including when production stripping costs should be recognized as an asset, how the asset is initially recognized, and subsequent measurement.

The Interpretation requires stripping activity costs which provide improved access to ore are recognized as a non-current 'stripping activity asset' when certain criteria are met. The stripping activity asset is depreciated or amortized on a systematic basis, over the expected useful life of the identified component of the ore body that becomes more accessible as a result of the stripping activity, using the units of production method unless another method is more appropriate. This standard is effective for annual periods beginning on or after January 1, 2013. As the Company is not in the production phase, there will be no significant impact to the Company upon implementation of the issued standard.

**Commander Resources Ltd.**  
**Management Discussion and Analysis**  
For the Year Ended December 31, 2011

**Financial Instruments**

Commander is exposed to liquidity risk as it may have difficulty in obtaining funds to meet financial obligations as they become due. As at December 31, 2011, Commander had cash and cash equivalents in the amount of \$1,175,776. Accounts payable and accrued liabilities as at December 31, 2011 amounted to \$352,953. Commander believes that it has sufficient funds to complete the planned business objectives for 2012.

Commander is exposed to credit risk with respect to its cash and cash equivalents, accounts receivable and due from related parties. This risk is minimized as the cash and cash equivalents have been placed with major Canadian financial institutions. Commander performs on-going credit evaluations of its accounts receivable. The maximum exposure to loss arising from accounts receivable is equal to their carrying amounts. Credit risk with respect to amounts due from related parties has been assessed as low by management as Commander has strong working relationships with the parties involved.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. As at December 31, 2011, if the market prices of the marketable securities had decreased 10 percent with all other variables held constant, the net loss for the period would have been \$22,821 higher. Conversely, if the market prices of the marketable securities had increased 10 percent with all other variables held constant, the net loss for the period would have been \$22,822 lower.

The following table illustrates the classification of the Commander's financial instruments carried at fair value within the fair value hierarchy at December 31, 2011. Please refer to the condensed consolidation financial statements (note 4(a)).

<b>2011</b>	<b>Total</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
<b>Assets</b>				
Investment in securities	\$ 268,207	\$ 268,207	\$ -	\$ -

**Other MD&A Requirements**

Additional information relating to Commander, including Commander's most recent Annual Information Form, is available on SEDAR at [www.sedar.com](http://www.sedar.com) and Commander's website, [www.commanderresources.com](http://www.commanderresources.com).

Additional information on Maritime is available on the Internet at the SEDAR website, [www.sedar.com](http://www.sedar.com) and Maritime's website, [www.maritimeresourcescorp.com](http://www.maritimeresourcescorp.com).

Commander had 99,892,548 issued common shares outstanding as at the report date as follows:

	<b>Number of Shares</b>	<b>Amount</b>
<b>Balance, January 1, 2010</b>	<b>90,207,516</b>	<b>\$ 37,232,067</b>
Issued for cash:		
Exercise of options, for cash	735,000	\$ 129,650
Issued for other consideration:		
Exercise of options, stock-based payments		88,389
<b>Balance, December 31, 2010</b>	<b>90,942,516</b>	<b>\$ 37,450,106</b>
Issued for cash:		
Private placement	8,500,032	2,040,008
Private placement issuance cost		(76,048)
Fair value assigned to warrants issued under IFRS		(221,086)
Other liability on flow-through share premium under IFRS		(345,299)
Issued for other consideration:		
Property acquisitions per option agreements	450,000	69,000
<b>Balance, December 31, 2011 and Report Date</b>	<b>99,892,548</b>	<b>\$ 38,916,681</b>

**Commander Resources Ltd.**  
**Management Discussion and Analysis**  
For the Year Ended December 31, 2011

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The Company also has the following unexercised stock options and warrants outstanding as at the report date:

**Stock Options**

<b>Number of Options</b>	<b>Price</b>	<b>Expiry Date</b>
200,000	\$0.41	May 8, 2012
1,111,500	\$0.36	June 7, 2012
50,000	\$0.19	December 21, 2012
740,000	\$0.18	February 7, 2013
200,000	\$0.21	June 24, 2013
280,000	\$0.10	October 17, 2013
700,000	\$0.10	February 20, 2014
1,351,000	\$0.10	May 12, 2014
200,000	\$0.39	January 19, 2015
1,818,500	\$0.35	January 27, 2015
500,000	\$0.27	May 25, 2015
100,000	\$0.18	October 6, 2015
2,020,000	\$0.19	February 11, 2016
400,000	\$0.17	April 6, 2016
100,000	\$0.13	January 19, 2013
<b>9,771,000</b>		

400,000 stock options expired unexercised on January 2, 2012.

100,000 stock options were granted on January 19, 2012.

**Warrants**

<b>Number of Shares</b>	<b>Exercise Price</b>	<b>Expiry Date</b>	<b>Amount</b>	<b>Weighted Average Remaining Contractual Life in Years</b>	<b>Years left</b>
2,819,166	\$0.30	May 3, 2013	140,958	0.89	1.34
1,430,849	\$0.30	May 18, 2013	80,128	0.46	1.38
<b>4,250,015</b>			<b>221,086</b>	<b>1.35</b>	

**Commander Resources Ltd.**  
**Management Discussion and Analysis**  
For the Year Ended December 31, 2011

**Mineral Property Expenditure Table**

At December 31, 2011 and 2010, the Company's exploration and evaluation assets comprise properties located in Canada. Expenditures incurred on mineral properties during the year are as follows:

	Qimmiq Baffin, Nunavut (a)	Bravo Lake	Green Bay Newfoundland (b)	Glenmorangie Yukon (c)	Storm Nunavut (d)	Stump Lake BC (e)	Other Properties (f)	Total
<b>Balance at Dec. 31, 2010</b>	<b>\$ 10,041,959</b>	<b>\$ 2,590,023</b>	<b>\$ 769,268</b>	<b>\$ -</b>	<b>\$ 116,144</b>	<b>\$ -</b>	<b>\$ 8,366,748</b>	<b>\$ 21,884,142</b>
Acquisition costs	-	-	1,750	60,373	-	109,433	1,440	172,996
Exploration costs:								
Drilling	568,026	71,414	565,516	63,722	1,200	304	2,653	1,272,835
Geochemistry	45,364	5,449	-	46,938	521	49,530	-	147,802
Geology	800,468	242,613	162,696	233,417	162,419	286,235	74,406	1,962,254
Geophysics	255,992	-	-	267	725,012	110,134	-	1,091,405
Property	111,828	-	3,107	970	14,829	3,386	11,673	145,793
Other	16,426	6,338	440	-	135	3,784	225	27,348
	1,798,104	325,814	731,759	345,314	904,116	453,373	88,957	4,647,437
Less:								
Recoveries	(2,596,363)	(361,040)	(222,450)	-	(90,000)	-	(12,000)	(3,281,853)
Write down	-	-	-	-	-	-	(3,958,279)	(3,958,279)
Net additions	(798,259)	(35,226)	511,059	405,687	814,116	562,806	(3,879,882)	(2,419,699)
<b>Balance at Dec. 31, 2011</b>	<b>\$ 9,243,700</b>	<b>\$ 2,554,797</b>	<b>\$ 1,280,327</b>	<b>\$ 405,687</b>	<b>\$ 930,260</b>	<b>\$ 562,806</b>	<b>\$ 4,486,866</b>	<b>\$ 19,464,443</b>

**Commander Resources Ltd.**  
**Management Discussion and Analysis**  
For the Year Ended December 31, 2011

	<b>Qimmiq</b>	<b>Bravo Lake</b>	<b>Green Bay</b>	<b>Storm</b>	<b>Other</b>	
	<b>Baffin, Nunavut</b>	<b>Nunavut</b>		<b>Nunavut</b>	<b>Properties</b>	<b>Total</b>
Balance at January 1, 2010	\$ 9,941,857	\$ 2,613,441	\$ 536,185	\$ 120,476	\$ 9,127,551	<b>\$22,339,510</b>
Acquisition costs during the year	-	-	64,563	-	6,870	<b>71,433</b>
Exploration costs:						
Drilling	5,441,595	(48,465)	5,695	1,940	4,222	<b>5,404,987</b>
Geochemistry	28,556	-	-	-	538	<b>29,094</b>
Geology	458,821	34,571	61,634	7,909	30,094	<b>593,029</b>
Geophysics	201,842	-	95,224	-	1,400	<b>298,466</b>
Environment	139,744	19,293	-	-	-	<b>159,037</b>
Property	70,721	246	5,818	-	19,324	<b>96,109</b>
Trenching/line cutting	538	-	-	-	-	<b>538</b>
Other	212,165	495	149	1,221	525	<b>214,555</b>
	<b>6,553,982</b>	<b>6,140</b>	<b>168,520</b>	<b>11,070</b>	<b>56,103</b>	<b>6,795,815</b>
Less:						
Recoveries	(6,453,880)	(29,558)	-	-	(54,402)	<b>(6,537,840)</b>
Write down	-	-	-	(15,402)	(769,374)	<b>(784,776)</b>
Net additions	100,102	(23,418)	233,083	(4,332)	(760,803)	<b>(455,368)</b>
<b>Balance at December 31, 2010</b>	<b>\$ 10,041,959</b>	<b>\$ 2,590,023</b>	<b>\$ 769,268</b>	<b>\$ 116,144</b>	<b>\$ 8,366,748</b>	<b>\$21,884,142</b>

**IFRS**

Commander started reporting using IFRS during the current quarter. Commander has completed the quantification of financial statement impacts.

**First-time Adoption of International Financial Reporting Standards**

IFRS 1 sets forth guidance for the initial adoption of IFRS. Commander had restated its comparative fiscal 2010 financial statements for annual and interim periods to be consistent with IFRS. In addition, Commander had reconciled equity and net earnings from the previously reported fiscal 2010 GAAP amounts to the restated 2010 IFRS amounts.

IFRS generally requires that first-time adopters retrospectively apply all IFRS standards and interpretations in effect as at the first annual reporting date. IFRS 1 provides for certain mandatory exceptions and optional exemptions to this general principle.

Commander had used the following IFRS 1 optional exemptions:

- to apply the requirements of IFRS 3, “Business Combinations,” prospectively from the Transition Date;
- to apply the requirements of IFRS 2, “Share-based Payments,” to equity instruments granted which had not vested as of the Transition Date; and
- to elect not to comply with IFRIC 1, “Changes in Existing Decommissioning, Restoration and Similar Liabilities,” for changes in such liabilities that occurred before the Transition Date.

Changes to estimates previously made are not permitted. The estimates previously made by Commander under GAAP are not revised for application of IFRS except where necessary to reflect any changes resulting from differences in accounting policies.

**Impact of Adoption of IFRS on Financial Reporting**

While GAAP is in many respects similar to IFRS, conversion will result in differences in recognition, measurement, and disclosure in the financial statements. The following financial statement areas are significantly impacted:

**a) Business combinations**

Commander has elected under IFRS 1 to not apply IFRS 3 “Business Combinations” retrospectively to business combinations that occurred before the date of transition to IFRS.

**b) Share-based payment transactions**

IFRS 1 encourages, but does not require, first-time adopters to apply IFRS 2 “Share-based Payment” to equity instruments that were granted on or before November 7, 2002, or equity instruments that were granted subsequent to November 7, 2002 and vested before the later of the date of transition to IFRS and January 1, 2005. Commander has elected not to apply IFRS 2 to awards that vested prior to January 1, 2010, which have been accounted for in accordance with Canadian GAAP.

**c) Share-based payments**

When a share-based payment award vests in instalments over the vesting period (graded vesting), each instalment is accounted for as a separate arrangement under IFRS. Under Canadian GAAP, an entity can elect to recognise graded vesting equity instruments as separate arrangements, like IFRS. Alternatively, unlike IFRS, an entity can elect to treat the equity instruments as a pool and determine fair value using the average life of the instruments, provided that compensation then is recognised on a straight line basis, subject to at least the value of the vested portion of the award being recognised at each reporting date.

Commander currently accounts for each instalment under graded vesting as a separate arrangement in accordance with IFRS. Under Canadian GAAP, a recognized asset, cost, or sales discount should not be reversed if a stock option that the counterparty has the right to exercise expires unexercised.

Commander has elected to change its accounting policy to transfer the value of the unexercised expired options to deficit as allowed under IFRS. Previously under Canadian GAAP Commander had no such policy. The value of the unexercised options as at January 1, 2010 amounted to \$965,352 was transferred to deficit.

**d) Flow-through shares**

Canadian GAAP, flow-through shares were recorded at their face value, net of related issuance costs as share capital. On the date the tax credits were renounced, a deferred tax liability was recognized as a cost of issuing the shares and recorded against the value of the shares.

Under IFRS, flow-through shares are recognized based on the quoted price of the existing shares on the date of the issue. The difference between the amount recognized in common shares and the amount the investor pays for the shares is recognized as a liability which is reversed into earnings as eligible expenditures are incurred. The deferred tax impact is recorded as eligible expenditures are incurred, provided Commander has the intention to renounce the related tax benefits. The liability component of the 5,000,000 flow-through shares issued on October 1, 2010 by Commander’s subsidiary amounted to \$327,750. Of the \$327,750, the portion belonging to Commander amounted to \$182,930, and the portion belonging to the non-controlling interest amounted to \$144,820. The amount of gain on acquisition was accordingly adjusted.

**e) Change in ownership interests**

Under IFRS, changes in a parent’s ownership interests that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in the relative interests in a subsidiary and any differences are recognized directly in equity. The Company’s sale of 50% interest in the Green Bay property to Maritime resulted in no loss of control of the property as the Company continued to control the property through its interest in Maritime. Accordingly, the difference between the fair value of the consideration paid and the change in the fair value of the non-controlling interests, in the amount of \$368,121 is accounted for as a credit to deficit rather than a gain through the income statement.





**COMMANDER  
RESOURCES LTD.**

**CONSOLIDATED FINANCIAL STATEMENTS**

For the Year Ended  
December 31, 2011  
(Expressed in Canadian Dollars)



## **MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING**

The consolidated financial statements of Commander Resources Ltd. are the responsibility of the Company's management. The financial statements are prepared in accordance with International Financial Reporting Standards and reflect management's best estimates and judgment based on information currently available.

Management has developed and maintains a system of internal control to ensure that the Company's assets are protected from loss or improper use, transactions are authorized and properly recorded and financial records are reliable.

The Board of Directors is responsible for ensuring management fulfills its responsibilities. The audit committee reviews the results of the audit and the annual financial statements prior to their submission to the Board of Directors for approval.

The consolidated statements of financial position as at December 31, 2011, December 31, 2010 and January 1, 2010, and the statements of operations and comprehensive loss, cash flows, and changes in equity for the years ended December 31, 2011 and 2010 have been audited by Smythe Ratcliffe LLP, Chartered Accountants, and their report outlines the scope of their examination and gives their opinion on the audited financial statements.

*"Eric Norton"*

.....  
Eric Norton, President  
Vancouver, British Columbia  
March 12, 2012

**INDEPENDENT AUDITORS' REPORT**

**TO THE SHAREHOLDERS OF COMMANDER RESOURCES LTD.**

(An Exploration Stage Company)

We have audited the accompanying consolidated financial statements of Commander Resources Ltd., which comprise the consolidated statements of financial position as at December 31, 2011, December 31, 2010 and January 1, 2010 and the consolidated statements of operations, comprehensive loss, cash flows and changes in equity for the years ended December 31, 2011 and December 31, 2010, and a summary of significant accounting policies and other explanatory information.

*Management's Responsibility for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

*Auditors' Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

*Opinion*

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Commander Resources Ltd. as at December 31, 2011, December 31, 2010 and January 1, 2010, and the results of its operations and its cash flows for the years ended December 31, 2011 and December 31, 2010 in accordance with International Financial Reporting Standards.

*Emphasis of Matter*

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements, which indicates that the Company incurred a net loss of \$3,974,813 during the year ended December 31, 2011. This condition, along with other matters set forth in Note 1, indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

*Smythe Ratcliffe LLP*

Vancouver, British Columbia  
March 12, 2012

**COMMANDER RESOURCES LTD.**  
(An Exploration Stage Company)  
**Consolidated Statements of Operations**  
**For the Years Ended December 31**  
(Expressed in Canadian dollars)

	Note	2011	2010
			(Note 22)
<b>Expenses</b>			
Accounting and audit	19(a)	\$ 156,420	\$ 107,276
Administration and others	19(a)	208,909	234,560
Amortization		6,587	11,443
Consulting	19(a)	127,313	92,789
Investor relations and promotion		192,673	165,411
Legal		31,671	21,428
Salaries and benefits	19(a)	242,365	230,966
Share-based payments	17(c)	425,121	745,471
<b>Loss before other items</b>		<b>(1,391,059)</b>	<b>(1,609,344)</b>
<b>Other items</b>			
Exchange loss		(14,082)	(451)
Gain (loss) on investment in securities	6(a)(i)&6(b)	(73,885)	29,441
Write-down of exploration and evaluation assets	13(f)(viii)	(3,958,279)	(784,776)
<b>Loss before income taxes</b>		<b>(5,437,305)</b>	<b>(2,365,130)</b>
<b>Deferred tax recovery</b>		<b>1,462,492</b>	<b>20,865</b>
<b>Net loss for the year</b>		<b>\$ (3,974,813)</b>	<b>\$ (2,344,265)</b>
<b>Loss for the year attributable to:</b>			
Non-controlling interest		\$ (29,936)	\$ (102,404)
Common shareholders		(3,944,877)	(2,241,861)
		<b>\$ (3,974,813)</b>	<b>\$ (2,344,265)</b>
<b>Loss per share - basic and diluted</b>		<b>\$ (0.041)</b>	<b>\$ (0.026)</b>
<b>Weighted average number of common shares outstanding</b>		<b>96,681,645</b>	<b>90,709,946</b>

See Accompanying Notes to the Consolidated Financial Statements

**COMMANDER RESOURCES LTD.**  
(An Exploration Stage Company)  
**Consolidated Statements of Comprehensive Loss**  
**For the Years Ended December 31**  
(Expressed in Canadian dollars)

	<b>2011</b>	<b>2010</b>
		(Note 22)
<b>Net loss for the year</b>	<b>\$ (3,974,813)</b>	<b>\$ (2,344,265)</b>
Fair value adjustment on available-for-sale securities, net of tax	(186,410)	166,450
Realized gain on sale of securities, net of tax	(13,712)	-
Other comprehensive loss	\$ (200,122)	\$ 166,450
<b>Comprehensive loss for the year</b>	<b>\$ (4,174,935)</b>	<b>\$ (2,177,815)</b>
Comprehensive loss for the year attributable to:		
Non-controlling interest	\$ (29,936)	\$ (102,404)
Common shareholders	(4,144,999)	(2,075,411)
	<b>\$ (4,174,935)</b>	<b>\$ (2,177,815)</b>

See Accompanying Notes to the Consolidated Financial Statements

**COMMANDER RESOURCES LTD.**  
(An Exploration Stage Company)  
**Consolidated Statements of Financial Position**  
(Expressed in Canadian dollars)

	Note	December 31, 2011	December 31, 2010 (Note 22)	January 1, 2010 (Note 22)
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and cash equivalents	5	\$ 1,175,776	\$ 1,744,514	\$ 1,425,152
Investment in securities	6	268,207	611,335	387,666
Accounts receivable	8	173,715	112,607	120,481
Prepaid expenses	9	27,285	35,295	38,227
		1,644,983	2,503,751	1,971,526
<b>Non-current assets</b>				
Deposit and others	11	45,169	32,377	20,000
Exploration and evaluation assets	13	19,464,443	21,884,142	22,339,510
Property and equipment	14	13,857	18,578	10,555
		19,523,469	21,935,097	22,370,065
<b>Total assets</b>		<b>\$ 21,168,452</b>	<b>\$ 24,438,848</b>	<b>\$ 24,341,591</b>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Accounts payable and accrued liabilities	15	\$ 352,953	\$ 426,316	\$ 244,980
Other liability	16	-	327,750	-
		352,953	754,066	244,980
<b>Non-current liability</b>				
Deferred tax liability	16	677,972	1,475,859	1,472,945
<b>Total liabilities</b>		<b>1,030,925</b>	<b>2,229,925</b>	<b>1,717,925</b>
<b>EQUITY</b>				
<b>Equity attributable to owners of the parent</b>				
Share capital	17	38,916,681	37,450,106	37,232,067
Reserve for share-based payments and warrants	18	2,017,125	1,653,818	1,078,438
Accumulated other comprehensive loss		(368,091)	(167,969)	(334,419)
Deficit		(20,937,101)	(17,226,160)	(15,352,420)
		19,628,614	21,709,795	22,623,666
Non-controlling interest	12	508,913	499,128	-
<b>Total equity</b>		<b>20,137,527</b>	<b>22,208,923</b>	<b>22,623,666</b>
<b>Total liabilities and equity</b>		<b>\$ 21,168,452</b>	<b>\$ 24,438,848</b>	<b>\$ 24,341,591</b>

Approved on behalf of the Board of Directors:

"Eric Norton"

Eric Norton

"Michael Byrne"

Michael W. Byrne

See Accompanying Notes to the Consolidated Financial Statements

**COMMANDER RESOURCES LTD.**  
(An Exploration Stage Company)  
**Consolidated Statements of Cash Flows**  
**For the Years Ended December 31**  
(Expressed in Canadian dollars)

	<b>2011</b>	<b>2010</b>
		(Note 22)
<b>Cash provided from (used in):</b>		
<b>Operating activities</b>		
Net loss for the year	\$ (3,974,813)	\$ (2,344,265)
Items not involving cash:		
Amortization	6,587	11,443
Share-based payments	425,121	745,471
Gain on investment in securities	(22,156)	(29,441)
Write-off of investment in securities	96,041	-
Write-down of assets	3,958,624	784,776
Deferred tax recovery	(1,462,492)	(20,865)
	<b>(973,088)</b>	<b>(852,881)</b>
Changes in non-cash working capital items:		
Accounts receivable	38,892	(88,281)
Prepaid expenses	8,010	2,932
Accounts payable and accrued liabilities	46,506	(97,913)
<b>Cash used in operating activities</b>	<b>(879,680)</b>	<b>(1,036,143)</b>
<b>Investing activities</b>		
Proceeds from sale of securities	112,678	-
Deposit and others	(12,792)	(12,377)
Expenditures on exploration and evaluation assets	(4,923,303)	(6,491,844)
Recoveries from exploration and evaluation assets	3,181,853	6,533,840
Acquisition of assets	(2,211)	1,196,236
<b>Cash provided by (used in) investing activities</b>	<b>(1,643,775)</b>	<b>1,225,855</b>
<b>Financing activity</b>		
Shares and warrants issued for cash, net of issuance costs	1,954,717	129,650
<b>Cash provided by financing activity</b>	<b>1,954,717</b>	<b>129,650</b>
<b>Increase (decrease) in cash and cash equivalents</b>	<b>(568,738)</b>	<b>319,362</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>1,744,514</b>	<b>1,425,152</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 1,175,776</b>	<b>\$ 1,744,514</b>

Supplemental Cash Flow Information (Note 21)

See Accompanying Notes to the Consolidated Financial Statements

**COMMANDER RESOURCES LTD.**

(An Exploration Stage Company)

**Consolidated Statements of Changes in Equity**

(Expressed in Canadian dollars)

	Note	Share Capital		Reserves			Accumulated Other Comprehensive Loss	Non-Controlling Interest	Total Shareholders' Equity
		Shares	Amount	Warrants	Share-Based Payments	Deficit			
<b>Balance, January 1, 2010</b>	22	<b>90,207,516</b>	<b>\$ 37,232,067</b>	<b>\$ -</b>	<b>\$ 1,078,438</b>	<b>\$ (15,352,420)</b>	<b>\$ (334,419)</b>	<b>\$ -</b>	<b>\$ 22,623,666</b>
Non-controlling interest on acquisition								519,830	519,830
Net loss for the year						(2,241,861)		(102,404)	(2,344,265)
Change in ownership interests in Maritime	22(e)					368,121			368,121
Fair value adjustment on available-for-sale securities, net of tax							166,450		166,450
Exercise of options		735,000	129,650						129,650
Non-cash transactions									
Reclassification of share-based payments on options exercise			88,389		(88,389)				-
Share-based payments					663,769			81,702	745,471
<b>Balance at December 31, 2010</b>	22	<b>90,942,516</b>	<b>37,450,106</b>	<b>-</b>	<b>1,653,818</b>	<b>(17,226,160)</b>	<b>(167,969)</b>	<b>499,128</b>	<b>22,208,923</b>
Net loss for the year						(3,944,877)		(29,936)	(3,974,813)
Reclassification of share-based payments on options expired					(233,936)	233,936			-
Fair value adjustment on available-for-sale securities, net of tax							(186,410)		(186,410)
Transfer to income on sale of marketable securities							(13,712)		(13,712)
Shares and warrants issued upon private placement		8,500,032	1,818,922	221,086					2,040,008
Share issuance cost			(76,048)	(9,243)					(85,291)
Non-cash transactions									
Other liability on flow-through share premium	17(b)		(345,299)						(345,299)
Shares issued for acquisition of exploration and evaluation assets		450,000	69,000						69,000
Share-based payments					385,400			39,721	425,121
<b>Balance at December 31, 2011</b>		<b>99,892,548</b>	<b>\$ 38,916,681</b>	<b>\$211,843</b>	<b>\$ 1,805,282</b>	<b>\$ (20,937,101)</b>	<b>\$ (368,091)</b>	<b>\$ 508,913</b>	<b>\$ 20,137,527</b>

See Accompanying Notes to the Consolidated Financial Statements



## **COMMANDER RESOURCES LTD.**

(An Exploration Stage Company)

Notes to Consolidated Financial Statements

For the Years Ended December 31, 2011 and 2010

(Expressed in Canadian dollars)

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### **1. Nature of Operations and Going Concern**

Commander Resources Ltd. (the “Company” or “Commander”) is actively exploring and developing its mineral properties and has not yet determined whether these properties contain mineral resources that are economically recoverable. The Company has not earned significant revenues from its mineral property interests and is considered to be in the exploration stage.

The address of the Company’s corporate office and principal place of business is 1100 - 1111 Melville Street, Vancouver, British Columbia, Canada.

These consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (“IFRS”) on a going concern basis, which contemplates that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. Accordingly, these financial statements do not include any adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue as a going concern.

The Company has relied on the issuance of share capital to finance its activities. Future capital requirements will depend on many factors including the Company’s ability to execute its business plan. The Company intends to continue relying upon the issuance of shares to finance its future activities, but there can be no assurance that such financing will be available on a timely basis under terms acceptable to the Company. Inability to secure future financing would have a material adverse effect on the Company’s business, results of operations and financial condition.

For the year ended December 31, 2011, the Company reported a net loss of \$3,974,813 (2010 - \$2,344,265) and as of December 31, 2011 has a deficit of \$20,937,101 (December 31, 2010 - \$17,226,160; January 1, 2010 - \$15,352,420), and working capital of \$1,292,030 (December 31, 2010 - \$1,749,685; January 1, 2010 - \$1,726,546).

### **2. Statement of Compliance**

These are the Company’s first annual consolidated financial statements prepared in accordance with IFRS as issued by the International Accounting Standards Board (“IASB”) and, accordingly, IFRS 1, First-time Adoption of International Financial Reporting Standards has been applied.

The accounting policies set out in Note 3 have been applied consistently to all years presented in these consolidated financial statements and in preparing the opening IFRS Statement of Financial Position as at January 1, 2010 for the purposes of the transition to IFRS, unless otherwise indicated.

An explanation of how the transition to IFRS has affected the reported financial position, financial performance and cash flows of the Company is provided in Note 22.

The consolidated financial statements were authorized for issue by the Board of Directors on March 12, 2012.

### **3. Summary of Significant Accounting Policies**

These consolidated financial statements have been prepared under the historical cost convention, except for certain financial assets and financial liabilities recorded at fair value, including derivative instruments and available-for-sale instruments. The consolidated financial statements are presented in Canadian dollars, values otherwise noted.

#### **(a) Principles of consolidation**

These consolidated financial statements include the accounts of the Company and its 55.81% owned subsidiary, Maritime Resources Corp. (“Maritime”) (Note 12).

## **COMMANDER RESOURCES LTD.**

(An Exploration Stage Company)

Notes to Consolidated Financial Statements

For the Years Ended December 31, 2011 and 2010

(Expressed in Canadian dollars)

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### **3. Summary of Significant Accounting Policies (Continued)**

#### **(a) Principles of consolidation (Continued)**

The interest of non-controlling shareholders is initially measured at the non-controlling interest's proportionate share of the subsidiary's identifiable net assets. Subsequent to acquisition, non-controlling interests consist of the amount attributed to such interests at initial recognition and the non-controlling interest's share of changes in equity since the date of the combination.

All material intercompany transactions, balances, income and expenses are eliminated on consolidation. Changes in the Company's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the Company.

#### **(b) Foreign currency translation**

The functional and reporting currency of the Company and its subsidiary is the Canadian dollar. Amounts recorded in foreign currency are translated into Canadian dollars as follows:

- i. Monetary assets and liabilities, at the rate of exchange in effect as at the statement of financial position date;
- ii. Non-monetary assets and liabilities, at the exchange rates prevailing at the time of the acquisition of the assets or assumption of the liabilities; and
- iii. Income and expenses (excluding amortization, which is translated at the same rate as the related asset), at the rate of exchange on the transaction date.

Gains and losses arising from this translation of foreign currency are included in the determination of net loss for the year.

#### **(c) Use of estimates**

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, and revenue and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and further periods if the review affects both current and future periods.

Significant areas requiring the use of estimates include the fair values of financial instruments, collectability of accounts receivable, the balances of accrued liabilities, impairment of exploration and evaluation assets, determination of the valuation allowance for deferred tax assets, and the assumptions used in the determination of the fair value of share-based payments, agent compensation options and finder's warrants. While management believes that these estimates are reasonable, actual results could differ from those estimates and could impact future results of operation and cash flows.

#### **(d) Cash and cash equivalents**

Cash and cash equivalents include bank deposits and cashable highly-liquid investments that are readily convertible to known amounts of cash and have maturities of three months or less from the date acquired.

## **COMMANDER RESOURCES LTD.**

(An Exploration Stage Company)

Notes to Consolidated Financial Statements

For the Years Ended December 31, 2011 and 2010

(Expressed in Canadian dollars)

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### **3. Summary of Significant Accounting Policies (Continued)**

#### **(e) Exploration and evaluation assets**

Once the legal right to explore a property has been acquired, costs directly related to exploration and evaluation (“E&E”) expenditures are recognized and capitalized, in addition to the acquisition costs, net of recoveries, on a property-by-property basis. These direct expenditures include such costs as materials used, surveying costs, drilling costs, and payments made to contractors during the exploration phase. Costs not directly attributable to E&E activities, including general administrative overhead costs, are expensed in the period in which they occur.

From time to time the Company may acquire or dispose of a mineral property pursuant to the terms of an option agreement. As the options are exercisable entirely at the discretion of the optionee, the amounts payable or receivable are not recorded. Option payments are recorded as property costs or recoveries when the payments are made or received.

If economically recoverable ore reserves are developed, capitalized costs of the related property will be reclassified as mining assets and will be amortized using the unit-of-production method. When a property is deemed to no longer have commercially viable prospects to the Company, E&E expenditures in respect of the project are deemed to be impaired. As a result those E&E costs, in excess of estimated recoveries, are written-off to profit and loss.

The Company assesses E&E assets for impairment at each statement of financial position date or whenever facts and circumstances suggest that the carrying amount of an asset may exceed its recoverable amount. The recoverable amount is the higher of the asset’s fair value less costs to sell and value in use.

Although the Company has taken steps to verify title to the properties in which it has an interest, in accordance with industry standards for properties in the exploration stage, these procedures do not guarantee the Company’s title. Property title may be subject to unregistered prior agreements and non-compliance with regulatory requirements.

#### **(f) Property and equipment**

Property and equipment are recorded at cost less accumulated amortization. Amortization is recorded using the straight-line method over five years. Leasehold improvements are amortized on a straight-line basis over the term of the lease.

The estimated maximum useful lives of property and equipment are as follows:

Furniture & fixtures	5 years
Computer equipment	5 years
Leasehold improvements	Duration of the lease

##### **(i) Subsequent costs**

The cost of replacing part of an item within property and equipment is recognized when the cost is incurred if it is probable that the future economic benefits will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the part that has been replaced is expensed. All other costs are recognized as an expense as incurred.

##### **(ii) Impairment**

The Company’s tangible assets are reviewed for indications of impairment at each financial statement date. If indication of impairment exists, the asset’s recoverable amount is estimated.

## **COMMANDER RESOURCES LTD.**

(An Exploration Stage Company)

Notes to Consolidated Financial Statements

For the Years Ended December 31, 2011 and 2010

(Expressed in Canadian dollars)

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### **3. Summary of Significant Accounting Policies (Continued)**

#### **(f) Property and equipment (Continued)**

##### **(ii) Impairment (Continued)**

An impairment loss is recognized when the carrying amount of an asset, or its cash-generating unit, exceeds its recoverable amount. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Impairment losses are recognized in profit and loss for the year.

Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units and then to reduce the carrying amount of the other assets in the unit on a pro-rata basis.

The recoverable amount is the greater of the asset's fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

##### **(iii) Reversal of impairment**

An impairment loss is reversed if there is an indication that there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. An impairment loss with respect to goodwill is never reversed.

#### **(g) Provisions**

Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the statement of financial position date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount receivable can be measured reliably.

#### **(h) Asset retirement obligations**

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of property and equipment, or site closure or reclamation activities when those obligations result from the acquisition, construction, development or normal operation of the assets. The net present value of future rehabilitation cost estimates arising from site preparation work is capitalized to mining assets along with a corresponding increase in the rehabilitation provision in the period incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value. The rehabilitation asset is depreciated on the same basis as mining assets.

## **COMMANDER RESOURCES LTD.**

(An Exploration Stage Company)

Notes to Consolidated Financial Statements

For the Years Ended December 31, 2011 and 2010

(Expressed in Canadian dollars)

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### **3. Summary of Significant Accounting Policies (Continued)**

#### **(h) Asset retirement obligations (Continued)**

The Company's estimates of reclamation costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to mining assets with a corresponding entry to the rehabilitation provision. The Company's estimates are reviewed annually for changes in regulatory requirements, discount rates, effects of inflation and changes in estimates.

Changes in the net present value, excluding changes in the Company's estimates of reclamation costs, are charged to the income statement.

The net present value of restoration costs arising from subsequent site damage that is incurred on an ongoing basis during production are charged to the income statement in the period incurred.

The costs of rehabilitation projects that were included in the rehabilitation provision are recorded against the provision as incurred. The cost of ongoing current programs to prevent and control pollution is charged to the income statement as incurred.

At present, the Company has determined that it has no material asset retirement obligations to record in these financial statements.

#### **(i) Flow-through shares**

The Company may, from time to time, issue flow-through common shares to finance its resource exploration activities. Canadian income tax law permits the Company to renounce to the flow-through shareholders the income tax attributes of resource exploration costs financed by such shares. Flow-through common shares are recognized in equity based on the quoted price at the time of the units are priced. The difference between the amount recognized in common shares and the amount the investor pays for the shares is recognized as a deferred gain which is reversed into earnings as eligible expenditures are incurred. The deferred tax impact is recorded as eligible expenditures are incurred, provided the Company has the intention to renounce the related tax benefits.

When flow-through expenditures are renounced, a portion of the deferred income tax assets that were not previously recognized, due to the recording of a valuation allowance, are recognized as a recovery of income taxes in the statements of operations.

#### **(j) Share-based payments**

The Company grants stock options to buy common shares of the Company to directors, officers, employees and non-employees. The board of directors grants such options for periods of up to ten years, with vesting periods determined at its discretion and at prices not less than the closing market price on the grant date.

The fair value of the options is measured at grant date, using the Black-Scholes option pricing model, and is recognized over the period that the options are earned. For directors and employees, the fair value of the options is measured at the date of grant. Share-based payments to non-employees are measured at the fair value of the goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The offset to the recorded cost is to share-based payments reserve. Consideration received on the exercise of stock options is recorded as share capital and the related share-based payments reserve is transferred to share capital. Upon expiry, the recorded value is transferred to deficit.

## **COMMANDER RESOURCES LTD.**

(An Exploration Stage Company)

Notes to Consolidated Financial Statements

For the Years Ended December 31, 2011 and 2010

(Expressed in Canadian dollars)

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### **3. Summary of Significant Accounting Policies (Continued)**

#### **(k) Income taxes**

The Company uses the balance sheet method of accounting for income taxes. Under the balance sheet method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Deferred income tax assets also result from unused loss carry forwards, resource related pools and other deductions. A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

#### **(l) Loss per share**

Loss per share is calculated based on the weighted average number of common shares outstanding during the year. The Company uses the treasury stock method for calculating diluted earnings per share. Under this method the dilutive effect on earnings per share is calculated presuming the exercise of outstanding options, warrants and similar instruments. It assumes that the proceeds of such exercise would be used to repurchase common shares at the average market price during the year. However, the calculation of diluted loss per share excludes the effects of various conversions and exercise of options and warrants that would be anti-dilutive.

Shares subject to escrow restrictions are excluded from the weighted average number of common shares unless their release is subject only to the passage of time.

#### **(m) Financial instruments**

##### **(i) Financial assets**

Financial assets are classified into one of four categories:

- fair value through profit or loss (“FVTPL”);
- held-to-maturity (“HTM”);
- available for sale (“AFS”); and,
- loans and receivables.

The classification is determined at initial recognition and depends on the nature and purpose of the financial asset.

##### **(a) FVTPL financial assets**

Financial assets are classified as FVTPL when the financial asset is held for trading or it is designated as FVTPL.

A financial asset is classified as FVTPL if:

- it has been acquired principally for the purpose of selling in the near future;
- it is a part of an identified portfolio of financial instruments that the Company manages and has an actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

## COMMANDER RESOURCES LTD.

(An Exploration Stage Company)

Notes to Consolidated Financial Statements

For the Years Ended December 31, 2011 and 2010

(Expressed in Canadian dollars)

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### 3. Summary of Significant Accounting Policies (Continued)

#### (m) Financial instruments (Continued)

##### (i) Financial assets (Continued)

##### (a) FVTPL financial assets (Continued)

Financial assets classified as FVTPL are stated at fair value with any resultant gain or loss recognized in profit or loss. The net gain or loss recognized incorporates any dividend or interest earned on the financial asset. The Company has classified cash and cash equivalents and investment in warrants as FVTPL financial assets.

##### (b) HTM investments

HTM investments are recognized on a trade-date basis and are initially measured at fair value, including transaction costs. The Company does not have any assets classified as HTM investments.

##### (c) AFS financial assets

Short-term investments and other assets held are classified as AFS and are stated at fair value. Gains and losses arising from changes in fair value are recognized in other comprehensive income. Impairment losses, interest calculated using the effective interest method and foreign exchange gains and losses on monetary assets, are recognized directly in profit or loss. When an investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognized in other comprehensive income is included in profit or loss for the year. The Company has classified marketable securities as AFS financial assets.

##### (d) Investment in warrants

Warrants of publicly traded securities, which do not have a quoted price, are carried at an estimated fair value calculated using the Black-Scholes option pricing model. The warrants are considered a derivative financial instrument and consequently are classified as FVTPL and are measured at fair value. Resulting gains or losses are included in operations.

##### (e) Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables.

Loans and receivables are initially recognized at the fair value and subsequently carried at amortized cost less impairment losses. The impairment loss of receivables is based on a review of all outstanding amounts at period end. Bad debts are written off during the period in which they are identified. Interest income is recognized by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

##### (f) Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each period end. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

## COMMANDER RESOURCES LTD.

(An Exploration Stage Company)

Notes to Consolidated Financial Statements

For the Years Ended December 31, 2011 and 2010

(Expressed in Canadian dollars)

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### 3. Summary of Significant Accounting Policies (Continued)

#### (m) Financial instruments (Continued)

##### (i) Financial assets (Continued)

##### (f) Impairment of financial assets (Continued)

Objective evidence of impairment could include the following:

- significant financial difficulty of the issuer or counterparty;
- default or delinquency in interest or principal payments; or
- it has become probable that the borrower will enter bankruptcy or financial reorganization.

For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of all financial assets, excluding trade receivables, is directly reduced by the impairment loss. The carrying amount of trade receivables is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the bad debt account. Subsequent recoveries of amounts previously written off are credited against the bad debt account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

With the exception of AFS equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease relates to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss. On the date of impairment reversal, the carrying amount of the financial asset cannot exceed its amortized cost had impairment not been recognized.

##### (g) Derecognition of financial assets

A financial asset is derecognized when

- the contractual right to the asset's cash flows expire; or
- if the Company transfers the financial asset and substantially all risks and rewards of ownership to another entity.

Transaction costs that are directly attributable to the acquisition or issue of financial instruments that are classified as other than fair value through profit or loss, which are expensed as incurred, are included in the initial carrying value of such instruments.

The Company classifies its financial instruments measured at fair value at one of three levels according to the relative reliability of the inputs used to estimate the fair value:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).



## **COMMANDER RESOURCES LTD.**

(An Exploration Stage Company)

Notes to Consolidated Financial Statements

For the Years Ended December 31, 2011 and 2010

(Expressed in Canadian dollars)

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### **3. Summary of Significant Accounting Policies (Continued)**

#### **(m) Financial instruments (Continued)**

##### **(ii) Financial liabilities and equity**

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities.

##### **(i) Other financial liabilities**

Other financial liabilities are initially measured at fair value, net of transaction costs, and are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expenses over the corresponding period. The effective interest rate is the rate that exactly discounts estimated future cash payments over the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

The Company has classified trade and other payables, short-term financial liabilities and long-term financial liabilities as other financial liabilities.

##### **(ii) Derecognition of financial liabilities**

The Company derecognizes financial liabilities when, and only when, the Company's obligations are discharged, cancelled or expired.

#### **(n) Unit offerings**

Proceeds received on the issuance of units, consisting of common shares and warrants, are allocated first to common shares based on the quoted market price of the common shares at the time the units are priced, then to warrants based on the Black-Scholes option pricing model, with any remaining excess amount to the flow-through tax premium.

#### **(o) Segment information**

The Company conducts its business as a single segment being the business of exploring and developing mining assets in Canada. All exploration and evaluation assets and equipment are situated in Canada.

## **COMMANDER RESOURCES LTD.**

(An Exploration Stage Company)

Notes to Consolidated Financial Statements

For the Years Ended December 31, 2011 and 2010

(Expressed in Canadian dollars)

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### **3. Summary of Significant Accounting Policies (Continued)**

#### **(p) Standards, amendments, and interpretations not yet effective**

The Company has not early adopted the following revised standards issued by the ISAB and is currently assessing the impact that these standards will have on its consolidated financial statements.

##### **(i) IFRS 9 Financial Instruments (2009)**

IFRS 9 introduces new requirements for classifying and measuring financial assets, as follows:

- Debt instruments meeting both a “business model” test and a “cash flow characteristics” test are measured at amortized cost (the use of fair value is optional in some limited circumstances)
- Investments in equity instruments can be designated as “fair value through other comprehensive income” with only dividends being recognized in profit or loss
- All other instruments (including all derivatives) are measured at fair value with changes recognized in the profit or loss
- The concept of “embedded derivatives” does not apply to financial assets within the scope of the standard and the entire instrument must be classified and measured in accordance with the above guidelines.

This standard is only applicable if it is optionally adopted for annual periods beginning before January 1, 2013. For annual periods beginning on or after January 1, 2013, the Company must adopt IFRS 9 (2010).

##### **(ii) IFRS 9 Financial instruments (2010)**

IFRS 9 incorporates revised requirement for the classification and measurement requirement of financial liabilities, and carry over the existing de-recognition requirements from IAS 39 Financial Instruments: Recognition and Measurement.”

The revised financial liability provisions maintain the existing amortized cost measurement basis for most liabilities. New requirements apply where an entity chooses to measure a liability at fair value through profit or loss – in these cases, the portion of the change in fair value related to changes in the entity's own credit risk is presented in other comprehensive income rather than within profit or loss.

Applies to annual periods beginning on or after January 1, 2015, this standard supersedes IFRS 9 (2009). However, for annual reporting periods beginning before January 1, 2015, an entity may early adopt IFRS 9 (2009) instead of applying this standard.

##### **(iii) IFRS 10 Consolidated Financial Statements**

IFRS 10 establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. The standard builds on the existing principles of “control” by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard is effective for annual periods beginning on or after January 1, 2013. There will be no significant impact to the Company upon implementation of this standard.

##### **(iv) IFRS 11 Joint Arrangements**

IFRS 11 provides for a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form (as is currently the case). The standard addresses inconsistencies in the reporting of joint arrangements by requiring a single method to account for interests in jointly controlled entities. The standard is effective for annual periods beginning on or after January 1, 2013.

## **COMMANDER RESOURCES LTD.**

(An Exploration Stage Company)

Notes to Consolidated Financial Statements

For the Years Ended December 31, 2011 and 2010

(Expressed in Canadian dollars)

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### **3. Summary of Significant Accounting Policies (Continued)**

#### **(p) Standards, amendments, and interpretations not yet effective (Continued)**

##### **(v) IFRS 12 Disclosure of Interests in Other Entities**

IFRS 12 is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including subsidiaries, joint arrangements, associates and unconsolidated structured entities. The standard is effective for annual periods beginning on or after January 1, 2013. There will be no significant impact to the Company upon implementation of this standard.

##### **(vi) IFRS 13 Fair Value Measurements**

IFRS 13 is a new comprehensive standard on measuring and disclosing fair value and will supersede all other fair value guidance in IFRS. The standard is effective for annual periods beginning on or after January 1, 2013.

##### **(vii) IAS 27 Separate Financial Statements**

IAS 27 is amended to deal with the requirements for separate financial statements, which have been carried over largely unamended from IAS 27 Consolidated and Separate Financial Statements. Requirements for consolidated financial statements are now contained in IFRS 10 Consolidated Financial Statements. This standard is effective for annual periods beginning on or after January 1, 2013. There will be no significant impact to the Company upon implementation of the issued standard.

##### **(viii) IAS 28 Investments in Associates and Joint Ventures**

IAS 28 is amended to prescribe the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. The standard defines "significant influence" and provides guidance on how the equity method of accounting is to be applied (including exemptions from applying the equity method in some cases). It also prescribes how investments in associates and joint ventures should be tested for impairment. This standard is effective for annual periods beginning on or after January 1, 2013. There will be no significant impact to the Company upon implementation of the issued standard.

##### **(ix) IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine**

IFRIC 20 clarifies the requirements for accounting for stripping costs associated with waste removal in surface mining, including when production stripping costs should be recognized as an asset, how the asset is initially recognized, and subsequent measurement.

The Interpretation requires stripping activity costs which provide improved access to ore are recognized as a non-current 'stripping activity asset' when certain criteria are met. The stripping activity asset is depreciated or amortized on a systematic basis, over the expected useful life of the identified component of the ore body that becomes more accessible as a result of the stripping activity, using the units of production method unless another method is more appropriate. This standard is effective for annual periods beginning on or after January 1, 2013. As the Company is not in the production phase, there will be no significant impact to the Company upon implementation of the issued standard.

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**4. Financial Instruments and Risk Management****(a) Fair value**

The Company has classified its financial instruments as follows:

Cash and cash equivalents – as fair value through profit or loss  
Marketable securities – as available-for-sale  
Accounts receivable – as loans and receivables  
Investment in warrants – as fair value through profit or loss  
Accounts payable – as other financial liabilities.

The carrying values of cash and cash equivalents, accounts receivable and accounts payable approximate their fair values because of the short term to maturity of these financial instruments.

The following table summarizes fair value measurement by level at December 31, 2011 and 2010 and January 1, 2010 for financial assets and liabilities measured at fair value on a recurring basis:

	<b>Total</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
<b>December 31, 2011</b>				
Investment in securities	\$ 268,207	\$ 268,207	\$ -	\$ -
<b>December 31, 2010</b>				
Investment in securities	\$ 611,335	\$ 515,294	\$ 96,041	\$ -
<b>January 1, 2010</b>				
Investment in securities	\$ 387,666	\$ 321,066	\$ 66,600	\$ -

**(b) Liquidity risk**

Liquidity risk is the risk that the Company will encounter difficulty satisfying financial obligations as they become due. The Company manages its liquidity risk by forecasting cash flows from operations and anticipated investing and financing activities. At December 31, 2011, the Company had cash and cash equivalents of \$1,175,776, and accounts payable and accrued liabilities of \$352,953. Most of the Company's accounts payable are due within 30 days.

**(c) Credit risk**

Credit risk is the risk that a counter party to a financial instrument will fail to discharge its contractual obligations. The Company is exposed to credit risk with respect to its cash and cash equivalents, accounts receivable other than Harmonized Sales Tax ("HST") and government funding receivable. This risk is minimized as cash and cash equivalents have been placed with major Canadian financial institutions. The Company performs on-going credit evaluations of its accounts receivable. The maximum exposure to loss arising from accounts receivable is equal to their carrying amounts.

Credit risk with respect to amounts due from related parties, included in accounts receivable, has been assessed as low by management as the Company has strong working relationships with the parties involved.

Concentration of credit risk exists with respect to the Company's cash and cash equivalents as all amounts are held at one major Canadian financial institution.

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### 4. Financial Instruments and Risk Management

#### (c) Credit risk (Continued)

The Company's concentration of credit risk and maximum exposure at December 31, 2011 and 2010 and January 1, 2010 thereto is as follows:

	December 31, 2011	December 31, 2010	January 1, 2010
Cash and cash equivalents	\$ 1,175,776	\$ 1,744,514	\$ 1,425,152
Accounts receivable	4,698	29,297	104,599
	<b>\$ 1,180,474</b>	<b>\$ 1,773,811</b>	<b>\$ 1,529,751</b>

#### (d) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, foreign currency risk and other price risk.

##### (i) Interest rate risk

Interest rate risk consists of two components:

- (a) To the extent that payments made or received on the Company's monetary assets and liabilities are affected by changes in the prevailing market interest rates, the Company is exposed to interest rate cash flow risk.
- (b) To the extent that changes in prevailing market rates differ from the interest rate in the Company's monetary assets and liabilities, the Company is exposed to interest rate price risk.

The Company's cash and cash equivalents consist of cash and term deposits held in bank accounts. Due to the short-term nature of these financial instruments, fluctuations in market rates do not have a significant impact on estimated fair values as of December 31, 2011.

Future cash flows from interest income on cash and cash equivalents will be affected by interest rate fluctuations. Given the balance of the term deposit at the quarter-end, any fluctuations in the interest rate would lead to an immaterial change in net loss and comprehensive loss.

##### (ii) Foreign currency risk

The Company is exposed to financial risk related to the fluctuation of foreign exchange rates. The Company has cash denominated in US dollars. The foreign currency risk arises primarily as a result of the Company having US dollar denominated bank accounts. The financial position of the Company may vary at the time that a change in foreign currency rate occurs. For the year ended December 31, 2011, the impact of the fluctuation in exchange rates had been immaterial.

##### (iii) Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices, other than those arising from interest rate risk or foreign currency risk. The Company is exposed to other price risk with respect to its investment in securities. A change in the fair value by 10% would increase or decrease comprehensive loss by \$22,822.

There were no changes in the Company's approach to risk management during the year ended December 31, 2011.

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**5. Cash and Cash Equivalents**

	December 31, 2011		December 31, 2010		January 1, 2010	
Cash	\$	865,836	\$	1,122,206	\$	1,425,152
Cash (flow-through funds for exploration)		309,940		622,308		-
	\$	1,175,776	\$	1,744,514	\$	1,425,152

As at December 31, 2011, the cash balance includes Maritime's, cash balance of \$134,402 (December 31, 2010 - \$958,056, January 1, 2010 - \$Nil). The balance of the Company's exploration funds raised through the issuance of flow-through shares were \$309,940 (December 31, 2010 - \$622,308, January 1, 2010 - \$Nil), of which none were Maritime's (December 31, 2010 - \$622,308, January 1, 2010 - \$Nil). These exploration funds are required to be spent on mineral exploration related activities in Canada only.

**6. Investment in Securities**

The following is a breakdown of the investment in securities as of December 31, 2011 and 2010 and January 1, 2010:

	December 31, 2011		December 31, 2010		January 1, 2010	
a) Marketable securities	\$	268,207	\$	515,294	\$	321,066
b) Investment in warrants		-		96,041		66,600
	\$	268,207	\$	611,335	\$	387,666

**a) Marketable securities**

	As at December 31, 2011			As at December 31, 2010			As at January 1, 2010		
	Number of Shares	Cost	Market Value	Number of Shares	Cost	Market Value	Number of Shares	Cost	Market Value
Fjordland Exploration Inc.	867,647	43,016	\$ 73,750	1,517,647	\$ 211,353	\$ 349,059	1,517,647	\$ 211,353	\$ 159,353
Woodjam Copper Corp.	328,397	77,816	88,667	-	-	-	-	-	-
Diamonds North Resources Ltd.	258,000	141,280	16,770	258,000	141,280	36,120	258,000	141,280	74,820
Uranium North Resources Corporation	333	333	38	333	333	60	333	333	30
Alto Ventures Ltd.	187,500	281,250	30,000	1,875,000	281,250	103,125	1,875,000	281,250	75,000
Bayswater Uranium Corp.	40	204	7	40	204	32	400	204	40
Global Gold Corporation	75,000	72,439	11,475	75,000	72,439	18,648	75,000	72,439	11,823
Pamlico Resources Ltd.	100,000	-	-	100,000	-	-	100,000	-	-
Stratabound Minerals Corp.	150,000	16,000	7,500	50,000	4,000	8,250	-	-	-
Aston Bay Ventures	2,000,000	40,000	40,000	-	-	-	-	-	-
<b>Total</b>		<b>\$ 672,338</b>	<b>\$ 268,207</b>		<b>\$ 710,859</b>	<b>\$ 515,294</b>		<b>\$ 706,859</b>	<b>\$ 321,066</b>

During the year ended December 31, 2011, the following transactions occurred:

- i. The Company sold a total of 650,000 shares of Fjordland Exploration Inc. ("Fjordland"). The gain on sale of \$22,156 has been recorded in the statement of operations for the year ended December 31, 2011 (2010 - \$Nil).
- ii. 100,000 common shares of Stratabound were received under the terms of the option agreements for the Nepisiguit and Stewart properties (Note 13(f) (vi)).

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### 6. Investment in Securities (Continued)

#### a) Marketable securities (Continued)

- iii. Fjordland completed the spin-out of its interest in the Woodjam copper-gold project to Consolidated Woodjam Copper Corp. ("Woodjam Copper"), and the Company was issued 328,397 Woodjam Copper shares which were allocated 64.4% from Fjordland's cost base.
- iv. Alto Ventures Ltd. completed the consolidation of its common shares on the basis of one new common share for ten old common shares.
- v. The Company received the initial two million shares at fair value of \$0.02 per share from Aston Bay Ventures Ltd. ("Aston Bay") as part of the \$15 million Option Agreement with Aston Bay (Note 13(d)).

#### b) Investment in warrants

As of December 31, 2010, the Company had an investment fair valued at \$96,041 in Fjordland warrants (January 1, 2010 - \$66,600). The Company and Fjordland reached a settlement in 2009 in respect to a shortfall on drilling by Fjordland on the Olympic and Rob properties as part of an option agreement between the parties dated August 2, 2006. Under the terms of the settlement, Fjordland issued 1,000,000 units consisting of one common share and one purchase warrant of Fjordland. Each warrant entitled the Company to purchase one common share at a price of \$0.16. The warrants expired unexercised on June 23, 2011. The Company recognized a loss of \$96,041 on the expired warrants during the year (2010 - unrealized gain of \$29,441).

### 7. Capital Management

The Company defines its capital as all components of equity. The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition and exploration of mineral properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The properties in which the Company currently has an interest are in the exploration stage; as such, the Company is dependent on external financing to fund its activities. In order to carry out the planned exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management during the year ended December 31, 2011. The Company is not subject to externally imposed capital requirements.

### 8. Accounts Receivable

The accounts receivable mainly related to HST input tax credits and government funding refundable to the Company. The following is an aging summary for the outstanding balance as of December 31, 2011, December 31, 2010 and January 1, 2010:

	Neither past due nor impaired	Past due but not impaired			TOTAL
		31 - 60 days	61 - 90 days	> 90 days	
December 31, 2011	\$ 173,715	\$ -	\$ -	\$ -	\$ 173,715
December 31, 2010	\$ 96,989	\$ -	\$ 11,013	\$ 4,605	\$ 112,607
January 1, 2010	\$ 117,232	\$ -	\$ -	\$ 3,249	\$ 120,481

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### 9. Prepaid Expenses

As at December 31, 2011, the Company's prepaid expenses include insurance premium of \$16,111 (December 31, 2010 - \$19,077; January 1, 2010 - \$27,156), trade shows and conferences of \$3,944 (December 31, 2010 - \$4,514; January 1, 2010 - \$9,968) and prepaid others of \$7,230 (December 31, 2010 - \$11,704; January 1, 2010 - \$1,103).

### 10. Reclamation Deposit

The Company is required to make reclamation deposits in respect of its expected rehabilitation obligations. The reclamation deposit represents collateral for possible reclamation activities necessary on mineral properties in connection with the permits required for exploration activities by the Company. The reclamation deposit is held in GIC's with a 2012 maturity date and an interest rate of prime rate less 2.05%. The amount is included in Deposit and Others (Note 11).

### 11. Deposit and Others

As at December 31, 2011, deposit and others included a project advance of \$7,792 (December 31, 2010 - \$ Nil; January 1, 2010 - \$Nil), rent deposit of \$32,377 (December 31, 2010 - \$32,377; January 1, 2010 - \$20,000), and a reclamation deposit of \$5,000 (December 31, 2010 - \$ Nil; January 1, 2010 - \$Nil).

### 12. Transaction with Maritime

Effective October 5, 2010, the Company received 12,000,000 common shares of Maritime in exchange for a 50% interest in the Green Bay Property, located in the King's Point area, Newfoundland. Maritime, at any time up to the earlier of the date Maritime commences commercial production from the Property or September 30, 2015, will have the right to acquire the remaining 50% of the Property by issuing an additional 5,000,000 common shares to the Company. Once Maritime has completed a minimum of \$750,000 in expenditures on the property by April 5, 2012, Maritime may elect to increase its interest to 100% in which event the parties agree that further exploration and development on the Property will be operated under a 50/50 joint venture between the parties in accordance with standard industry terms, with Maritime being the initial operator.

As a result of the above transaction, the Company acquired a controlling interest of 55.81% of Maritime's issued and outstanding shares and consolidates the results of Maritime from October 5, 2010, the date of acquisition. The Company has recorded the interest in the Green Bay Property at its carrying value as it has retained control of the property.

Maritime is considered a subsidiary of Commander and its financial results are consolidated into Commander's financial statements. Additional information with respect to Maritime is available on the Internet at the SEDAR website, [www.sedar.com](http://www.sedar.com) and Maritime's website, [www.maritimeresourcescorp.com](http://www.maritimeresourcescorp.com).

The fair value of Maritime's net assets were as follows:

Cash and cash equivalents	\$	1,174,263
Prepaid expenses		11,013
Accounts receivable		6,502
Mineral properties		30,374
Accounts payable		(6,452)
<b>Net Assets</b>	<b>\$</b>	<b>1,215,700</b>



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**12. Transaction with Maritime (Continued)**

The change in the ownership interest in the Green Bay property has been recognized in deficit:

Proportion of the carrying value of Green Bay property	\$	(127,480)
Proportion of fair value of net assets acquired		495,601
<b>Change in relative interests</b>	<b>\$</b>	<b>368,121</b>

The carrying value of non-controlling interest as at December 31, 2011 is as follows:

Proportionate share of identifiable net assets of	
Maritime on acquisition	\$ 519,829
Share of post acquisition loss for the year	(102,404)
Share of post acquisition share-based payments	81,703
<b>Balance at December 31, 2010</b>	<b>499,128</b>
Share of loss for the year	(29,936)
Share of share-based payments for the year	39,721
<b>Balance at December 31, 2011</b>	<b>\$ 508,913</b>

Subsequent to December 31, 2011, Maritime exercised its option to acquire 100% interest in the Green Bay Property by issuing Commander 5,000,000 common shares (Note 23(b)). Subsequently, Commander sold 4,500,000 common shares of Maritime to Rambler Metal & Mining Canada Ltd. ("Rambler"), reducing the share interest to 47.17% (Note 23(c)).

**13. Exploration and Evaluation Assets**

At December 31, 2011, the Company's exploration and evaluation assets comprise properties located in Canada. Expenditures incurred on mineral properties during the year are as follows:

	Qimmiq	Bravo Lake	Green Bay	Glenmorangie	Storm	Stump Lake	Other	Total
	Baffin, Nunavut		Newfoundland	Yukon	Nunavut	BC	Properties	
	(a)		(b)	(c)	(d)	(e)	(f)	
<b>Balance at Dec. 31, 2010</b>	<b>\$ 10,041,959</b>	<b>\$ 2,590,023</b>	<b>\$ 769,268</b>	<b>\$ -</b>	<b>\$ 116,144</b>	<b>\$ -</b>	<b>\$ 8,366,748</b>	<b>\$ 21,884,142</b>
Acquisition costs	-	-	1,750	60,373	-	109,433	1,440	172,996
Exploration costs:								
Drilling	568,026	71,414	565,516	63,722	1,200	304	2,653	1,272,835
Geochemistry	45,364	5,449	-	46,938	521	49,530	-	147,802
Geology	800,468	242,613	162,696	233,417	162,419	286,235	74,406	1,962,254
Geophysics	255,992	-	-	267	725,012	110,134	-	1,091,405
Property	111,828	-	3,107	970	14,829	3,386	11,673	145,793
Other	16,426	6,338	440	-	135	3,784	225	27,348
	1,798,104	325,814	731,759	345,314	904,116	453,373	88,957	4,647,437
Less:								
Recoveries	(2,596,363)	(361,040)	(222,450)	-	(90,000)	-	(12,000)	(3,281,853)
Write down	-	-	-	-	-	-	(3,958,279)	(3,958,279)
Net additions	(798,259)	(35,226)	511,059	405,687	814,116	562,806	(3,879,882)	(2,419,699)
<b>Balance at Dec. 31, 2011</b>	<b>\$ 9,243,700</b>	<b>\$ 2,554,797</b>	<b>\$ 1,280,327</b>	<b>\$ 405,687</b>	<b>\$ 930,260</b>	<b>\$ 562,806</b>	<b>\$ 4,486,866</b>	<b>\$ 19,464,443</b>

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**13. Exploration and Evaluation Assets (Continued)**

At January 1, 2010 and December 31, 2010, the Company's exploration and evaluation assets comprise of properties located in Canada. Expenditures incurred on mineral properties during the year are as follows:

	<b>Qimmiq Baffin, Nunavut</b>	<b>Bravo Lake</b>	<b>Green Bay</b>	<b>Storm Nunavut</b>	<b>Other Properties</b>	<b>Total</b>
Balance at January 1, 2010	\$ 9,941,857	\$ 2,613,441	\$ 536,185	\$ 120,476	\$ 9,127,551	<b>\$22,339,510</b>
Acquisition costs during the year	-	-	64,563	-	6,870	<b>71,433</b>
Exploration costs:						
Drilling	5,441,595	(48,465)	5,695	1,940	4,222	<b>5,404,987</b>
Geochemistry	28,556	-	-	-	538	<b>29,094</b>
Geology	458,821	34,571	61,634	7,909	30,094	<b>593,029</b>
Geophysics	201,842	-	95,224	-	1,400	<b>298,466</b>
Environment	139,744	19,293	-	-	-	<b>159,037</b>
Property	70,721	246	5,818	-	19,324	<b>96,109</b>
Trenching/line cutting	538	-	-	-	-	<b>538</b>
Other	212,165	495	149	1,221	525	<b>214,555</b>
	<b>6,553,982</b>	<b>6,140</b>	<b>168,520</b>	<b>11,070</b>	<b>56,103</b>	<b>6,795,815</b>
Less:						
Recoveries	(6,453,880)	(29,558)	-	-	(54,402)	<b>(6,537,840)</b>
Write down	-	-	-	(15,402)	(769,374)	<b>(784,776)</b>
Net additions	100,102	(23,418)	233,083	(4,332)	(760,803)	<b>(455,368)</b>
<b>Balance at December 31, 2010</b>	<b>\$ 10,041,959</b>	<b>\$ 2,590,023</b>	<b>\$ 769,268</b>	<b>\$ 116,144</b>	<b>\$ 8,366,748</b>	<b>\$21,884,142</b>

Field supplies which were previously disclosed separately in current assets have been reclassified in exploration and evaluation assets.

**(a) Baffin Island Properties, Nunavut**

The Baffin Island Properties consist of two separate properties named Qimmiq and Bravo Lake (collectively, "Baffin Properties"). The Company owns 100% of the Qimmiq property, subject to an underlying agreement with Nunavut Tunngavik Inc. ("NTI") and certain future considerations to BHP Billiton. The Company owns 100% of the Bravo Lake property subject to certain future considerations to Xstrata Nickel, a business unit of Xstrata Canada Corporation, as further described under the property headings below. The Company earned a 100% interest in the Bravo Lake property by exercising its right under a Purchase Letter between the parties dated May 1, 2008.

On September 3, 2009, as amended on November 19, 2009, the Company entered into a Farm-in and Joint Venture Agreement ("Agreement") with AngloGold Ashanti Limited's subsidiary, AngloGold Ashanti Holdings Plc ("AngloGold"), related to both the Qimmiq and Bravo properties (collectively, "Baffin Properties"). Pursuant to the Agreement, AngloGold may earn a 51% participating interest in the Baffin Properties by funding \$20 million by December 31, 2014, with an additional requirement to fund \$5.5 million of the \$20 million in exploration expenditures before December 31, 2010. The initial commitment included completion of a minimum of 3,000 metres of diamond drilling. Additional terms of the Agreement are as follows:

- The Company will manage the exploration for the initial two-year committed program period. In addition, AngloGold will pay a 10% management fee to the Company on all exploration expenditures incurred on the project during that period, which are treated as part of the exploration expenditures to be funded by AngloGold. Accordingly, these amounts have been presented as a recovery to the relevant property;

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### **13. Exploration and Evaluation Assets (Continued)**

#### **(a) Baffin Island Properties, Nunavut (Continued)**

- AngloGold at its option, advanced a cash payment of \$575,000 to the Company so that the Company could exercise its right to purchase the remaining interest in the Bravo Lake ("Bravo Lake") property to 100%, which is treated as part of the exploration expenditures to be funded by AngloGold. Accordingly, these amounts have been presented as a recovery to the relevant property in 2009; and
- Once AngloGold has vested a 51% interest in the Baffin Properties, a 51:49 joint venture will be formed between AngloGold and the Company. AngloGold may then elect within 60 days of vesting to increase its interest in the property to 70% by funding all on-going expenditures to complete a feasibility study within four years on at least one of the prospects on the Baffin Properties.

As part of the Agreement, on November 19, 2009, Ashanti Goldfields Services Limited, a wholly owned subsidiary of AngloGold, subscribed for and was issued a total of 10,000,000 units of the Company for gross proceeds of \$1.2 million. Each unit consisted of one common share and one-half of one share purchase warrant. Each whole share purchase warrant entitles the holder to purchase one common share at a price of \$0.24 until November 17, 2011. Under the Agreement, AngloGold is required to hold at least a 10% equity stake in the Company and has the right, subject to TSX Venture Exchange approval, to participate in future private placements in order to meet its equity commitment in the Company under this Agreement.

For the year ended December 31, 2011, total recoveries on the Baffin Properties from AngloGold amounted to \$2,957,403, including management fees of \$268,855 (2010 - \$6,483,438, including management fees of \$543,441). The Company also recovered \$105,080 from AngloGold for pre-exploration work done in the Baffin area, including management fees of \$9,553).

#### **(i) Qimmiq**

On February 22, 2008, the Company and BHP Billiton ("BHP") signed an Option Acceleration Agreement ("Revised Agreement"), providing the Company the option to accelerate its rights to earn a 100% interest in the Qimmiq Property by paying the lump sum of \$400,000 in cash to BHP on or before September 30, 2008. The deadline for this cash payment was subsequently extended to April 30, 2009 through a series of amending letters with the final letter dated February 25, 2009. On April 30, 2009, the Company exercised its right to accelerate its interest to 100% in the Property after BHP agreed to waive the \$400,000 cash payment required under the Option Acceleration Agreement. The Revised Agreement is now the only agreement between the Company and BHP pertaining to the Qimmiq Property.

Under the Revised Agreement, BHP retains the Right of First Refusal ("ROFR") to purchase all or any portion of the concentrates or other such mineral products produced only from non-gold resources on the Property. For the first four years of commercial production, BHP's ROFR would apply to 50% of the non-gold concentrates; the other 50% of the non-gold concentrates available for the Company to support or facilitate mine financing terms and other project capitalization and BHP shall retain a ROFR to match such financing terms. The Company will retain 100% control over the sale and marketing of all gold concentrates or gold products produced from the Qimmiq Property. The Revised Agreement is subject to a variable net smelter return ("NSR") gold royalty ranging from 1% to 3% based on gold prices (royalties are now held by International Royalty Corporation) and the terms and conditions of the underlying Nunavut Tunngavik Inc. (NTI) agreements, which include a 12% royalty to NTI on net profits payable on production.

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### **13. Exploration and Evaluation Assets (Continued)**

#### **(a) Baffin Island Properties, Nunavut (Continued)**

##### **(ii) Bravo Lake**

The Company currently owns 100% of the Bravo property. Previously, the Company operated the Bravo Lake property under a Letter Agreement with Xstrata since 2003. Under this agreement, the Company had the right to earn a 100% interest in the property by incurring \$8 million of exploration expenditures on the property by 2011. Xstrata held certain back-in rights to nickel, base metal or diamond deposits. There were no back-in rights to gold deposits. The property is subject to certain royalties payable to Xstrata including a sliding scale NSR from 1% to 3% on gold production, a 2% NSR on nickel production, a 1.5% NSR on (non-nickel) base metal production and a 2% gross overriding royalty on diamond production. The property was expanded by staking in September 2009 with the addition of 42 mineral claims.

On May 1, 2008, the Company entered into a Purchase Letter with Xstrata providing the Company the option to accelerate its ownership in the Bravo property to 100% for total cash payments to Xstrata of \$750,000 by December 31, 2008. In an amending letter dated November 13, 2008, the deadline for the unpaid balance of \$575,000 was extended to June 30, 2009 and further extended to December 31, 2009.

On December 7, 2009, the Company completed the purchase from Xstrata of a 100% interest in the Bravo property thereby eliminating all remaining earn-in expenditures and extinguishing Xstrata's back-in rights. Xstrata retains a ROFR to purchase all or any portion of the concentrates or other such mineral products produced from any non-gold resource on the property. For the first four years of commercial production, Xstrata's right would apply to 50% of the concentrates; the other 50% of the concentrates available for the Company to support or facilitate mine financing terms and other project capitalization and Xstrata shall retain a ROFR to match such financing terms. Xstrata also retains the royalties provided under the original Letter Agreement but under the Purchase Letter, 50% of the royalties may be purchased by the Company for \$1 million at any time up to commencement of commercial production.

#### **(b) Green Bay, Newfoundland**

The primary assets on the Green Bay Property are the Orion Gold Deposit ("Orion") and the surrounding exploration lands.

On October 5, 2010, the Company entered into an Option Agreement with Maritime for the right to acquire 50% interest in the Green Bay Property, by Maritime issuing to the Company 12,000,000 common shares (Note 13). In addition, Maritime is responsible for funding all exploration expenditures and is committed to conducting \$750,000 of mineral exploration activities on the Property by April 5, 2012. The Option Agreement also provides Maritime the further option of increasing its ownership in the Property to 100% by issuing 5,000,000 additional common shares to the Company before the earlier of the date of commencement of commercial production and the expiry date of 5 years after the acquisition of the Initial Interest. In the event Maritime exercises the Second Option to acquire a 100% interest in the Property, the 100% interest of Maritime in the Property will be subject to a 2% NSR. As of December 31, 2011, the required expenditures of \$750,000 were fully spent on the Property. Maritime exercised the option to acquire the full ownership of the property subsequent to December 31, 2011 (Note 23(b)).

#### **(c) Glenmorangie, Yukon**

On June 2, 2011, the Company negotiated an option agreement, for a package of claims located in the Little Highland River Valley, Watson Lake mining district in the Yukon. The package of 127 claims is owned by a prospector syndicate based out of Whitehorse. In addition, the Company has added another 150 claims to the area, for a total package of 277 claims.

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### 13. Exploration and Evaluation Assets (Continued)

#### (c) Glenmorangie, Yukon (Continued)

Under the terms of the option agreement, the Company has an option to earn a 100% interest in the Property through the staged issue of 840,000 shares, staged cash payments of \$147,000 and a total exploration expenditure of \$500,000 over four years. The NSR terms are 2% plus an advance smelter return of \$12,000 per year, with an option to buy down to 1% NSR, each half per cent costing \$1 million. The first year's commitment calls for \$125,000 of exploration, issuance of 300,000 shares and cash payments of \$27,000.

#### (d) Storm Property, Nunavut

The Storm property, first acquired in 2008, consists of four permits and is located on the northwest corner of Somerset Island adjacent to the Northwest Passage. The project was activated for the first time in 2011 since acquired.

On November 23, 2011, the Company entered into an Option Agreement with Aston Bay which allows Aston Bay to earn an initial 50.1 percent interest in the Storm Property by incurring \$6 million in exploration expenditures over three years, issuing to Commander an additional 1,000,000 shares of Aston Bay and achieving a public stock market listing by December 31, 2012. Aston Bay may earn an additional 19.9 percent interest by funding a further \$9 million in exploration expenditures and delivering an Indicated Resource by December 31, 2019. It is Aston Bay's intention, and also a requirement of the Agreement, to complete the necessary steps to become a publicly listed company before the end of 2012.

#### Key Agreement Terms:

1. In order to initiate the option, Aston Bay must pay \$150,000 cash, in two tranches, and issue 2 million shares to Commander. The first \$50,000 and the shares are due within 30 days of signing, and the remaining \$100,000 is to be paid by April 15, 2012. Aston Bay must also raise a minimum of \$1 million by January 31, 2012 or the Agreement will terminate.
2. First Option: Aston Bay may earn 50.1% of the property by:
  - a. Funding \$6 million on exploration on the property by December 31, 2014, and;
  - b. Issuing an additional 1 million shares to Commander over the 3 year period, and;
  - c. Obtaining a public listing by December 31, 2012.
  - d. Upon completion of the First Option, Aston Bay may then elect to proceed to the Second Option holding 50.1% or, if they decline, Commander will take over as Operator holding 50.1% and Aston Bay will be reduced to a non-participating 49.9% and be subject to dilution from that point. Once diluted below 10%, Aston Bay they will then retain a 10% Net Profits Interest royalty.
3. Second Option: Aston Bay may increase its interest to 70% by:
  - a. Spending an additional \$9 million on exploration, for a total of \$15 million, and;
  - b. Defining an NI 43-101 compliant Indicated Resource by December 31, 2019.
  - c. During the term of the Second Option, Aston Bay must fund a minimum of \$500,000 per year in exploration expenditures. Should Aston Bay fail to meet this obligation for two consecutive years, or fail to meet the other requirements of the Second Option, then a 50.1 (Aston Bay) : 49.9 (Commander) Joint Venture will be formed and Commander will be the Operator from that point forward.

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### **13. Exploration and Evaluation Assets (Continued)**

#### **(d) Storm Property, Nunavut (Continued)**

4. Buy-out Option: Upon completion of the Second Option a 70:30 Joint Venture will be formed with Aston Bay as Operator. After exercising the Second Option, but prior to January 31 2021, Aston Bay may elect to buy-out Commander's remaining interest, calculated at the time the election is made, by:
  - a. Paying to Commander 200% of all exploration costs incurred by Commander after formation of a Joint Venture and;
  - b. Paying Commander either \$15 million in cash, or 20% of Aston Bay's market capitalization in shares, at Commander's option.
5. Commander's Retained Royalty: If Commander's interest is bought out, or is diluted to less than a 10% interest, Commander will then retain a 0.875% Gross Overriding Royalty on the gross proceeds of all metals sold from the property prior to any deductions for transportation, smelter, refining or other charges.

The Company received the initial 2,000,000 common shares and \$50,000 cash from Aston Bay. A second cash payment of \$100,000 is to be paid to the Company by April 15, 2012.

#### **(e) Stump Lake, British Columbia**

The Company entered into a Letter of Intent dated June 10, 2011 ("Agreement") to acquire a package of claims on a newly discovered epigenetic gold prospect in Southern British Columbia. The package of claims was held by The Marlow Prospecting Syndicate of Kamloops ("Marlow") and was increased by additional staking of adjacent claims by Commander. Marlow held five claims, and the Company staked an additional eight claims, all of which will comprise the Stump Lake Property covering over 57 square kilometers.

Under the terms of the Agreement, the Company may earn a 100% interest in the property over a five year period by making total cash payments of \$625,000, issuing two million shares to Marlow and completing \$3 million in exploration work. Of this, there is a firm commitment in the first year of \$60,000 cash, issuance of 300,000 shares and work on the property totaling \$400,000. The property is subject to a 2% NSR in favour of Marlow. The Company may reduce the NSR to 1% by paying \$2 million to Marlow.

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**13. Exploration and Evaluation Assets (Continued)****(f) Other properties**

The Company owns several other properties in Canada in which it holds interests ranging from 10% to 100%. The Company has granted options on some of these properties. The carrying values of those properties included under Other Properties at December 31, 2011 and 2010 and January 1, 2010 are as follows:

	Ownership %	Metal	December 31, 2011	December 31, 2010	January 1, 2010
<b>Labrador Properties</b>					
Adlatok	72.696	Nickel	\$ -	\$ -	\$ 736,151
Sadie	100.00	Nickel	-	127,856	127,856
Sally	100.00	Nickel	393,241	393,127	391,986
Sandy	100.00	Nickel	27,482	11,462	-
Sango River	100.00	Nickel	-	-	48,625
Sarah Lake (i)	48.20	Nickel	1,766,060	1,760,949	1,752,449
<b>Nunavut</b>					
Dewar Lake	-	Gold	-	-	516
<b>Newfoundland</b>					
Hermitage (ii)	100.00	Uranium	-	2,748,351	2,730,550
Strickland	100.00	Uranium	-	926,545	922,497
Cochrane Pond	50.00	Uranium	-	48,978	48,950
Others	100.00	Uranium	-	92,563	92,563
<b>Yukon</b>					
Olympic, Rob (iii)	100.00	Copper-Gold-Uranium	874,258	862,931	853,507
<b>British Columbia</b>					
Abe, Pal, Hal, Hunter and Takla (iv)	100.00	Copper - Gold	113,275	110,923	110,593
Aten, Mate and Tut (iv)	100.00	Copper - Gold	8,712	1,250	1,250
Tam (v)	10.00	Copper	9,524	9,524	44,524
<b>New Brunswick</b>					
Nepisiguit/Stewart (vi)	100.00	Copper-Zinc	1,126,894	1,130,978	1,129,311
<b>Ontario</b>					
Matheson	41.20	Gold	15,685	14,213	14,213
McVean	100.00	Gold	9,835	71	-
Sabin (vii)	100 - 58.50	Copper-Zinc	141,900	127,027	122,010
<b>Total Other Properties</b>			<b>\$ 4,486,866</b>	<b>\$ 8,366,748</b>	<b>\$ 9,127,551</b>

**(i) Sarah Lake, Labrador**

The Company owns a 48.2% interest in the Sarah Lake property. Donner Metals Ltd. ("Donner Metals") owns 51.8% and is the operator of the property.

**(ii) Hermitage Project, Newfoundland**

The Company owns 100% of the Hermitage, Blue Hills and White Bear properties subject to a 2% NSR for the original property owners. One-half of the NSR may be purchased for \$1 million. The property was impaired during the year.

The Strickland Property consists of 147 claims southwest of the Hermitage Property. The Quinlan Option agreement, originally executed on August 16, 2006 to cover a small claim block surrounded by the Strickland Property, was terminated by the Company on June 24, 2009. The Company has written down the property as it is focusing exploration efforts in other areas. (Note 13(f)(viii)).

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### **13. Exploration and Evaluation Assets (Continued)**

#### **(f) Other properties (Continued)**

##### **(iii) Olympic & Rob, Yukon**

The Company owns 100% of the Olympic and Rob properties subject to a 1% NSR registered to Blackstone Ventures Inc. on the Rob property. The NSR may be reduced to 0.50% at any time for \$1 million.

##### **(iv) Abe, Pal, Aten, Mate and Tut, British Columbia**

The Company owns a 100% interest in the properties located within the Quesnel Trough of British Columbia. The vendor of the property retains a 1% NSR in the Abe and Pal properties and will participate in certain cash or share considerations received from the future sale or option of the properties to a third party.

##### **(v) Tam, British Columbia**

The Company owns a 10% carried interest in the property. The Company will receive 50% of any royalties granted to the underlying owner under any subsequent third party agreement on the property.

Under an agreement dated February 13, 2006 between the underlying owners and Teck Cominco Limited ("Teck Cominco"), the Company received a cash payment of \$2,500. In addition, the Company is entitled to a 1.5% NSR of which \$250,000 is payable as an advance royalty starting on December 31, 2012. This royalty is subject to a buy-down provision that, if exercised, would pay \$1 million to the Company.

##### **(vi) Nepisiguit/Stewart, New Brunswick**

The Company owns 100% of the properties located in the Bathurst Mining Camp of New Brunswick, subject to a 2.75% NSR retained by BHP. The NSR is subject to a buy-down to 1% NSR for \$1.5 million at any time.

In 2010, the Company entered into an option agreement with Stratabound providing Stratabound the right to earn an initial 60% interest in the Company's Nepisiguit and Stewart properties. Under the terms of the option, Stratabound has the right to earn an initial 60% participating interest in the Properties over a 5 year period by issuing to the Company 400,000 Stratabound shares and completing \$1,500,000 in eligible exploration expenditures. Upon vesting its 60% interest, Stratabound may then, within 60 days, elect to increase its interest to 65% by incurring an additional \$1,000,000 in eligible expenditures over a two year period and issuing an additional 100,000 Stratabound shares to the Company.

Once a joint venture is formed the Company may elect at any time to convert its interest into a 1% NSR. Stratabound will have the option, for 12 months following the Company's election, to buy one-half of the royalty on either property for \$1,000,000, or to buy one-half of the royalty on both properties for \$2,000,000. Stratabound will be the operator during the term of the option, and will be the initial operator pursuant to any joint venture agreement entered into by the parties thereafter.

During the year ended of December 31, 2011, an additional 100,000 common shares of Stratabound were received and are included in marketable securities (Note 6(a)).

##### **(vii) Sabin, Ontario**

The Sabin copper-zinc property consists of 114 claims located in northwest Ontario. The Company in conjunction with Granges Inc. and Noranda have explored the Sabin property following its acquisition in 1990. Ownership interests of Commander on the property vary from 58.5% to 100%.



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**13. Exploration and Evaluation Assets (Continued)****(f) Other properties (Continued)****(viii) Other Properties written off**

During the years ended December 31, 2011 and 2010, in an effort to focus its resources on key properties the Company conducted an assessment of all its mineral properties by reviewing facts and circumstances that would impair carrying values on the statements of financial position. The write-down criteria used in the assessment included: 1) mineral property claims had expired; and, 2) little or no spending had been incurred on the claims recently and no substantive expenditures were budgeted or planned for the exploration of these claims.

The following table lists all the properties written down in 2011 and 2010:

<b>2011</b>	
<b>Properties</b>	<b>Amount of Impairment</b>
<b>Labrador Properties</b>	
Sadie	\$ 127,856
<b>Newfoundland</b>	
Bay St. George	659
Cape St. John	13,560
Cochrane Pond	51,375
Couteau Hills	158,937
Hermitage	2,592,519
Murphy	78,343
Strickland	929,499
<b>British Columbia</b>	
Hal	1,217
Hunter IV	3,983
Takla	331
<b>Total</b>	<b>\$ 3,958,279</b>
<b>2010</b>	
<b>Properties</b>	<b>Amount of Impairment</b>
<b>Labrador Properties</b>	
Adatok	\$ 736,151
Sango River	48,625
<b>Total</b>	<b>\$ 784,776</b>

**(g) Environmental**

The Company is subject to the laws and regulations relating to environmental matters in all jurisdictions in which it operates, including provisions relating to property reclamation, discharge of hazardous material and other matters. The Company may also be held liable should environmental problems be discovered that were caused by former owners and operators of its properties and properties in which it has previously had an interest. The Company conducts its mineral exploration activities in compliance with applicable environmental protection legislation. The Company is not aware of any existing environmental problems related to any of its current or former properties that may result in material liability to the Company.

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### 13. Exploration and Evaluation Assets (Continued)

#### (g) Environmental (Continued)

Environmental legislation is becoming increasingly stringent and costs and expenses of regulatory compliance are increasing. The impact of new and future environmental legislation on the Company's operations may cause additional expenses and restrictions.

If the restrictions adversely affect the scope of exploration and development on the resource properties, the potential for production on the properties may be diminished or negated.

#### (h) Title to resource properties

Although the Company has taken steps to verify the title to resource properties in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements or transfers and title may be affected by undetected defects.

#### (i) Realization of assets

Exploration and evaluation assets comprise a substantial portion of the Company's assets. Realization of the Company's investment in these assets is dependent upon the establishment of legal ownership, the attainment of successful production from the properties or from the proceeds of their disposal.

Resource exploration and development is highly speculative and involves inherent risks. While the rewards if an ore body is discovered can be substantial, few properties that are explored are ultimately developed into producing mines.

There can be no assurance that current exploration programs will result in the discovery of economically viable quantities of ore. The amounts shown for acquisition costs and deferred exploration expenditures represent costs incurred to date and do not necessarily reflect present or future values.

### 14. Property and Equipment

The Company had property and equipment with the following cost and accumulated depreciation at January 1, 2010, December 31, 2010 and 2011:

Cost	Furniture & Fixtures	Computer Equipment	Leasehold Improvements	Total
<b>At January 1, 2010</b>	\$ 57,240	\$ 169,950	\$ 28,293	\$ 255,483
Additions	2,670	13,267	3,528	19,465
Disposals	-	-	(28,293)	(28,293)
At December 31, 2010	\$ 59,910	\$ 183,217	\$ 3,528	\$ 246,655
Additions	346	1,865	-	2,211
Disposals	(406)	-	-	(406)
<b>At December 31, 2011</b>	<b>\$ 59,850</b>	<b>\$ 185,082</b>	<b>\$ 3,528</b>	<b>\$ 248,460</b>

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**14. Property and Equipment (Continued)**

<b>Accumulated depreciation</b>	<b>Furniture &amp; Fixtures</b>	<b>Computer Equipment</b>	<b>Leasehold Improvements</b>	<b>Total</b>
<b>At January 1, 2010</b>	\$ 57,240	\$ 161,753	\$ 25,935	\$ 244,928
Additions	514	8,217	2,711	11,442
Disposals	-	-	(28,293)	(28,293)
At December 31, 2010	\$ 57,754	\$ 169,970	\$ 353	\$ 228,077
Additions	542	5,360	706	6,608
Disposals	(82)	-	-	(82)
<b>At December 31, 2011</b>	<b>\$ 58,214</b>	<b>\$ 175,330</b>	<b>\$ 1,059</b>	<b>\$ 234,603</b>

<b>Net Book Value</b>	<b>Furniture &amp; Fixtures</b>	<b>Computer Equipment</b>	<b>Leasehold Improvements</b>	<b>Total</b>
At January 1, 2010	\$ -	\$ 8,197	\$ 2,358	\$ 10,555
At December 31, 2010	\$ 2,156	\$ 13,247	\$ 3,175	\$ 18,578
<b>At December 31, 2011</b>	<b>\$ 1,636</b>	<b>\$ 9,752</b>	<b>\$ 2,469</b>	<b>\$ 13,857</b>

**15. Accounts Payable and Accrued Liabilities**

The average credit period of purchases is 1 month. The Company has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

The following is an aging analysis of accounts payable and accrued liabilities:

	<b>Current</b>	<b>31 - 60 days</b>	<b>61 - 90 days</b>	<b>&gt; 90 days</b>	<b>TOTAL</b>
December 31, 2011	\$ 337,785	\$ -	\$ 15,168	\$ -	\$ 352,953
December 31, 2010	\$ 187,912	\$ 27,900	\$ 210,504	\$ -	\$ 426,316
January 1, 2010	\$ 190,404	\$ 22,043	\$ 25,868	\$ 6,665	\$ 244,980

**16. Income Taxes**

As at December 31, 2011, the Company has non-capital losses of 7,611,100 (2010 - \$6,462,400), which may be applied against future income for Canadian income tax purposes. The potential income tax benefits of these losses have been recognized in these consolidated financial statements against deferred income tax liabilities. The losses expire as follows:

2014	\$ 891,400
2015	705,800
2026	927,300
2027	1,072,300
2028	914,100
2029	801,900
2030	1,149,600
2031	1,148,700
<b>Total</b>	<b>\$ 7,611,100</b>

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**16. Income Taxes (Continued)**

The reconciliation of income tax provision computed at statutory rates (2011 – 26.50%, 2010 – 28.50%) to the reported income tax provision is as follows:

	<b>2011</b>	<b>2010</b>
Income tax benefit computed at Canadian statutory rates	\$ (1,440,886)	\$ (674,062)
Items deductible (non-deductible) for income taxes purposes	113,620	212,459
Impact of flow-through shares	(327,750)	-
Change in timing differences for the year (other temporary differences)	585,502	(19,364)
Change in valuation allowance	(70,630)	419,747
Effect on changes in tax rate	5,982	40,355
	<b>\$ (1,134,162)</b>	<b>\$ (20,865)</b>

Effective January 1, 2011, the Canadian Federal corporate tax rate decreased from 18% to 16.5% and the BC provincial tax rate decreased from 10.5% to 10%. The overall reduction in tax rates has resulted in a decrease in the Company's statutory tax rate from 28.50% to 26.50%

Deferred income tax assets and liabilities are recognized for temporary differences between the carrying amounts of the statement of financial position items and their corresponding tax values as well as for the benefit of losses available to be carried forward to future years for tax purposes that are likely to be realized. Significant components of the Company's deferred tax assets and liabilities, after applying enacted corporate income tax rates are as follows:

	<b>2011</b>	<b>2010</b>
Deferred income tax liabilities		
Temporary differences on mineral properties	\$ (2,318,963)	\$ (2,728,471)
Temporary differences on derivative instrument	-	(3,480)
	<b>(2,318,963)</b>	<b>(2,731,951)</b>
Deferred income tax assets		
Non-capital losses carried forward	1,503,474	1,145,652
Share issue costs	35,667	36,394
Temporary differences on marketable securities	42,981	16,910
Difference between undepreciated capital cost over net book value of property and equipment	58,869	57,136
	<b>1,640,991</b>	<b>1,256,092</b>
<b>Deferred income tax liabilities, net</b>	<b>\$ (677,972)</b>	<b>\$ (1,475,859)</b>

The Company recognizes tax benefits on losses or other deductible amounts where the probable criteria for the recognition of such deferred tax assets have been met. Consequently the Company has deductible temporary differences and unused tax losses of \$399,303 (2010 - \$470,790) for which no deferred tax asset is recognized as it is not probable that the deferred tax asset will be realized in the future.

Funds raised through the issuance of flow-through shares are expenditures to be expended on qualified Canadian mineral exploration expenditures, as defined pursuant to Canadian income tax legislation. The flow-through funds received from flow-through share issuances have been fully spent and renounced as at December 31, 2011. The difference in quoted market price arising from issuance of 5,000,000 flow-through shares amounting to \$327,750 was included as an other liability at December 31, 2010 and subsequently recognized as deferred tax recovery during the year ended December 31, 2011.

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### 16. Income Taxes (Continued)

The Company's deferred income tax liability arises primarily from the renunciation of mineral exploration costs on flow-through shares issued to investors. Flow-through shares entitle a company that incurs certain resource expenditures in Canada to renounce them for tax purposes allowing the expenditures to be deducted for income tax purposes by the investors who purchased the shares.

During December 31, 2011, the Company renounced \$2,040,008 in flow-through expenditures (2010 - \$Nil). As at December 31, 2010, the amount of flow-through proceeds remaining to be expended was \$309,940 (2010 - \$Nil).

### 17. Share Capital

#### (a) Authorized

Unlimited common shares without par value

#### (b) Shares issued

In May 2011, the Company issued 8,500,032 units at a price of \$0.24 per unit, for gross proceeds of \$2,040,008. Each unit consists of one flow-through common share and one-half non flow-through share purchase warrant. Each whole non flow-through share purchase warrant entitles the holder to purchase one common share at a price of \$0.30, expiring in May 2013 (Note 17(d)). The Company allocated \$1,473,623 to common shares, \$221,086 to warrants and the remainder of \$345,299 has been recognized as a liability. Share issuance costs of \$85,291 were incurred by the Company. The fair value of warrants was calculated using the Black-Scholes option pricing model (Note 17(d)). The flow-through shares were recognized based on the quoted price of the existing shares on the date of the issuance. The difference between the quoted price and the flow-through share price, net of the fair valued warrants, has been recognized as a liability.

On June 20, 2011, 150,000 shares were issued for the acquisition of the Glenmorangie property in connection with the option agreement (Note 13(c)).

On July 12, 2011, 300,000 shares were issued for the acquisition of the Stump Lake property in connection with the option agreement (Note 13(e)).

#### (c) Stock options

Options to purchase common shares have been granted to directors, employees and consultants at exercise prices determined by reference to the market value on the date of the grant. Under the Company's Stock Option Plan, the Company may grant stock options for the purchase of up to 18,000,000 common shares. Vesting of stock options is made at the discretion of the board of directors at the time the options are granted.

A summary of the Company's outstanding stock options as at January 1, 2010, December 31, 2010 and 2011 are as follows:

	Number of Shares	Weighted Average Exercise Price
<b>Outstanding at January 1, 2010</b>	<b>6,864,000</b>	<b>\$ 0.25</b>
Granted	2,673,500	\$ 0.33
Exercised	(735,000)	\$ 0.18
<b>Outstanding at December 31, 2010</b>	<b>8,802,500</b>	<b>\$ 0.28</b>
Granted	2,420,000	\$ 0.18
Expired	(1,151,500)	\$ 0.32
<b>Outstanding at December 31, 2011</b>	<b>10,071,000</b>	<b>\$ 0.25</b>

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**17. Share Capital (Continued)****(c) Stock options (Continued)**

The fair value of each option granted is estimated at the time of the grant using the Black-Scholes option pricing model with weighted average assumptions for the grants for the years ended December 31, 2011 and 2010 as follows:

	<b>2011</b>	<b>2010</b>
Risk-free interest rate	2.77%	1.90%
Forfeiture rate	0.00%	0.00%
Expected dividend yield	0.00%	0.00%
Expected stock price volatility	98.9%	92.3%
Expected option life in years	5	5
Grant date fair value	\$0.135	\$0.210

Expected volatility was determined based on the historical movements in the closing price of the Company's stocks for a length of time to the expected life of each option.

The following tables summarize information about stock options outstanding as at December 31, 2011:

<b>Number of Options</b>	<b>Exercise Price</b>	<b>Expiry Date</b>	<b>Weighted Average Remaining Contractual Life in Years</b>
400,000	\$0.87	January 2, 2012	0.01
200,000	\$0.41	May 8, 2012	0.35
1,111,500	\$0.36	June 7, 2012	0.44
50,000	\$0.19	December 21, 2012	0.98
740,000	\$0.18	February 7, 2013	1.11
200,000	\$0.21	June 24, 2013	1.48
280,000	\$0.10	October 17, 2013	1.80
700,000	\$0.10	February 20, 2014	2.14
1,351,000	\$0.10	May 12, 2014	2.36
200,000	\$0.39	January 19, 2015	3.05
1,818,500	\$0.35	January 27, 2015	3.08
500,000	\$0.27	May 25, 2015	3.40
100,000	\$0.18	October 6, 2015	3.77
2,020,000	\$0.19	February 11, 2016	4.12
400,000	\$0.17	April 6, 2016	4.27
<b>10,071,000</b>	<b>\$0.25</b>		<b>2.50</b>

As of December 31, 2011, among the 10,071,000 outstanding options, 10,051,000 options were exercisable with a weighted average exercise price of \$0.25 and a weighted average remaining contractual life in years of 2.50. 1,151,500 stock options expired unexercised during the year ended December 31, 2011 (2010 – Nil).

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**17. Share Capital (Continued)****(c) Stock options (Continued)**

The following tables summarize information about stock options outstanding as at December 31, 2010:

<b>Number of Options</b>	<b>Exercise Price</b>	<b>Expiry Date</b>	<b>Weighted Average Remaining Contractual Life in Years</b>
282,000	\$0.39	May 7, 2011	
646,500	\$0.30	June 19, 2011	
400,000	\$0.87	January 2, 2012	
200,000	\$0.41	May 8, 2012	
1,196,500	\$0.36	June 7, 2012	
70,000	\$0.19	December 21, 2012	
760,000	\$0.18	February 7, 2013	
200,000	\$0.21	June 24, 2013	
280,000	\$0.10	October 17, 2013	
700,000	\$0.10	February 20, 2014	
1,394,000	\$0.10	May 12, 2014	
200,000	\$0.39	January 19, 2015	
1,778,500	\$0.35	January 27, 2015	
95,000	\$0.35	January 27, 2015	
500,000	\$0.27	May 25, 2015	
100,000	\$0.18	October 6, 2015	
<b>8,802,500</b>	<b>0.28</b>		<b>2.71</b>

The following tables summarize information about stock options outstanding as at January 1, 2010:

<b>Number of Options</b>	<b>Exercise Price</b>	<b>Expiry Date</b>	<b>Weighted Average Remaining Contractual Life</b>
363,000	\$0.25	July 19, 2010	
282,000	\$0.39	May 7, 2011	
646,500	\$0.30	June 19, 2011	
400,000	\$0.87	January 2, 2012	
200,000	\$0.41	May 8, 2012	
1,196,500	\$0.36	June 7, 2012	
80,000	\$0.19	December 21, 2012	
770,000	\$0.18	February 7, 2013	
200,000	\$0.21	June 24, 2013	
395,000	\$0.10	October 17, 2013	
700,000	\$0.10	February 20, 2014	
1,631,000	\$0.10	May 12, 2014	
<b>6,864,000</b>	<b>\$0.25</b>		<b>3.00</b>

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**17. Share Capital (Continued)****(c) Stock options (Continued)**

The following is a breakdown of the share-based payments charged to operations on options vested for the years ended December 31:

	<b>2011</b>		<b>2010</b>	
Accounting and audit	\$	7,227	\$	11,702
Consultants		192,937		330,808
Investor relations		21,059		21,683
Salaries and benefits		203,898		381,278
	\$	<b>425,121</b>	\$	<b>745,471</b>

**(d) Warrants and agent's warrants**

The Company has warrants outstanding at January 1, 2010, December 31, 2010 and 2011 as follows:

<b>January 1 and</b>								
<b>December 31, 2010</b>	<b>Exercise</b>				<b>December 31, 2011</b>			
<b>Outstanding</b>	<b>Price</b>	<b>Issued</b>	<b>Exercised</b>	<b>Expired</b>	<b>Outstanding</b>	<b>Amount</b>	<b>Expiry Date</b>	
5,000,000	\$0.24	-	-	5,000,000	-	\$ -		
-	\$0.30	2,819,166	-	-	2,819,166	140,958	May 3, 2013	
-	\$0.30	1,430,849	-	-	1,430,849	80,128	May 18, 2013	
<b>5,000,000</b>		<b>4,250,015</b>	<b>-</b>	<b>5,000,000</b>	<b>4,250,015</b>	<b>\$ 221,086</b>		

4,250,015 warrants were issued in May 2011 in relation to the private placement (Note 17(b)). The fair value of the warrants was calculated using the Black-Scholes pricing model with the following assumptions:

Issue date	May 3, 2011	May 18, 2011
Risk-free interest rate	1.70%	1.68%
Expected dividend yield	0%	0%
Expected stock price volatility	82.28%	82.32%
Expected option life in years	2	2

Expected volatility was determined based on the historical movements in the closing price of the Company's stocks for a length of time to the expected life of each warrant.



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**18. Reserve for Share-Based Payments and Warrants**

Reserve for share based payments and warrants are comprised of the following:

	Reserves		
	Share-Based Payments	Warrants	Total
<b>Balance, January 1, 2010</b>	<b>\$ 1,078,438</b>	<b>\$ -</b>	<b>\$ 1,078,438</b>
Share-based payments granted	663,769		663,769
Reserve transferred on exercise of options	(88,389)		(88,389)
<b>Balance at December 31, 2010</b>	<b>1,653,818</b>	<b>-</b>	<b>1,653,818</b>
Share-based payments granted	385,400		385,400
Reserve transferred on expiry of options	(233,936)		(233,936)
Warrants issued upon private placement		211,843	211,843
<b>Balance at December 31, 2011</b>	<b>\$ 1,805,282</b>	<b>\$ 211,843</b>	<b>\$ 2,017,125</b>

**19. Related Party Transactions****(a) Trading transactions**

The Company's related parties consist of companies controlled by executive officers and directors. The Company incurred the following fees and expenses in the normal course of operations in connection with those companies for the years ended December 31, 2011 and 2010 as follows:

	2011	2010
Accounting	\$ 72,000	\$ 12,000
Consulting	115,500	55,000
Geological consulting	112,110	48,670
Legal	24,188	18,617
Office rent and administrative	78,590	73,182
	<b>\$ 402,388</b>	<b>\$ 207,469</b>

These transactions were recorded at fair value, being the amount agreed upon by the related parties.

At December 31, 2011, included in accounts receivable and deposit and others were \$10,390 due from officers for project and expense advances (December 31, 2010 - \$4,000; January 1, 2010 - \$Nil) and \$254 (December 31, 2010 - \$362; January 1, 2010 - \$2,163) for administrative and office expenses from a company related by a director in common.

At December 31, 2011 included in accounts payable were amounts due to related parties of \$2,158 for administrative and office expenses to a company related by a director in common (December 31, 2010 - \$3,843; January 1, 2010 - \$669) and \$17,706 for legal fees to a law firm related by a director in common (December 31, 2010 - \$836; January 1, 2010 - \$219).

At December 31, 2011, investment in securities included 258,000 (December 31, 2010 - 258,000; January 1, 2010 - 258,000) common shares of Diamonds North Resources Ltd., a company related by a director in common.

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**19. Related Party Transactions (Continued)****(b) Compensation of key management personnel**

The remuneration, including stock-based compensations, of directors and other members of key management personnel during the years ended December 31, 2011 and 2010 were as follows:

		<b>2011</b>		<b>2010</b>
Accounting	\$	72,000	\$	12,000
Consulting		115,500		55,000
Geological consulting		112,110		48,670
Salaries and benefits		404,627		388,679
Share-based payments		280,950		561,318
	\$	985,187	\$	1,065,667

Key management personnel were not paid post-employment benefits, termination benefits, or other long-term benefits during the years ended December 31, 2011 and 2010.

**20. Commitments**

The Company shares the cost of the office premises with several companies based on the proportion of the area occupied. The lease of the office premises was signed by one of the companies and that company invoices other companies. Certain of the companies are related by virtue of directors in common.

The approximate annual minimum lease commitments are as follows:

<b>Leases</b>		<b>Total</b>
2012	\$	44,800
2013		47,100
2014		48,400
2015		32,300
<b>Total</b>	<b>\$</b>	<b>172,600</b>

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**21. Supplemental Cash Flow Information**

<b>Significant non-cash, investing and financing activities</b>	<b>2011</b>	<b>2010</b>
<b>Investing activities:</b>		
Securities received for E&E assets	\$ 52,000	\$ 4,000
Accounts receivable related to E&E assets	100,000	96,155
Accounts payable and accrued liabilities related to E&E assets	(119,869)	279,249
Shares issued for E&E assets	(69,000)	-
	<b>\$ (36,869)</b>	<b>\$ 379,404</b>
<b>Financing activity:</b>		
Income tax effect on flow-through share renoucement	\$ 1,462,492	\$ -
Other liability on FT share premiums	(327,750)	-
Fair value of options exercised	-	88,389
	<b>\$ 1,134,742</b>	<b>\$ 88,389</b>
<b>Other cash flow information:</b>		
Interest received	\$ 1,626	\$ 1,635

**22. Transition to International Financial Reporting Standards**

As stated in Note 2, these are the Company's first annual consolidated financial statements prepared in accordance with IFRS. An explanation of how the transition from previous Canadian GAAP to IFRS has affected the Company's financial position and comprehensive loss is set out in this Note.

**IFRS 1 First-time Adoption of International Financial Reporting Standards (IFRS 1)**

IFRS 1 sets forth guidance for the initial adoption of IFRS. Under IFRS 1 the standards are applied retrospectively at the transitional statement of financial position date with all adjustments to assets and liabilities taken to retained earnings unless certain exemptions are applied. The Company has applied the following exemptions to its transitional financial statements at January 1, 2010:

**(a) Business combinations**

The Company has elected under IFRS 1 to not apply IFRS 3 *Business Combinations* retrospectively to business combinations that occurred before the date of transition to IFRS.

**(b) Share-based payment transactions**

IFRS 1 encourages, but does not require, first-time adopters to apply IFRS 2 *Share-based Payment* to equity instruments that were granted on or before November 7, 2002, or equity instruments that were granted subsequent to November 7, 2002 and vested before the later of the date of transition to IFRS and January 1, 2005. The Company has elected not to apply IFRS 2 to awards that vested prior to January 1, 2010, which have been accounted for in accordance with Canadian GAAP.

## **COMMANDER RESOURCES LTD.**

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Notes to Consolidated Financial Statements

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### **22. Transition to International Financial Reporting Standards (Continued)**

Adjustments on transition to IFRS are set out as below:

#### **(c) Share-based payments**

When a share-based payment award vests in instalments over the vesting period (graded vesting), each instalment is accounted for as a separate arrangement under IFRS. Under Canadian GAAP, an entity can elect to recognize graded vesting equity instruments as separate arrangements, like IFRS. Alternatively, unlike IFRS, an entity can elect to treat the equity instruments as a pool and determine fair value using the average life of the instruments, provided that compensation then is recognized on a straight line basis, subject to at least the value of the vested portion of the award being recognized at each reporting date.

The Company currently accounts for each instalment under graded vesting as a separate arrangement in accordance with IFRS.

The Company has elected to change its accounting policy to transfer the value of the unexercised expired options to deficit as allowed under IFRS. Previously under Canadian GAAP the Company had no such policy. The value of the unexercised options as at January 1, 2010 amounted to \$965,352 was transferred to deficit.

#### **(d) Flow-through shares**

Under Canadian GAAP, flow-through shares were recorded at their face value, net of related issuance costs as share capital. On the date the tax credits were renounced, a deferred tax liability was recognized as a cost of issuing the shares and recorded against the value of the shares.

Under IFRS, flow-through shares are recognized based on the quoted price of the existing shares on the date of the issue. The difference between the amount recognized in common shares and the amount the investor pays for the shares is recognized as a liability which is reversed into earnings as eligible expenditures are incurred. The deferred tax impact is recorded as eligible expenditures are incurred, provided the Company has the intention to renounce the related tax benefits. The liability component of the 5,000,000 flow-through shares issued on October 1, 2010 by the Company's subsidiary amounted to \$327,750. This amount was included as other liability at December 31, 2010 and subsequently recognized as a deferred tax recovery during the year ended December 31, 2011. Of the \$327,750, the portion belonging to the Company amounted to \$182,930, and the portion belonging to the non-controlling interest amounted to \$144,820. The amount of gain on acquisition was accordingly adjusted (Note 12).

#### **(e) Changes in ownership interests**

Under IFRS, changes in a parent's ownership interests that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in the relative interests in a subsidiary and any differences are recognized directly in equity. The Company's sale of 50% interest in the Green Bay property to Maritime resulted in no loss of control of the property as the Company continued to control the property through its interest in Maritime. Accordingly, the difference between the fair value of the consideration paid and the change in the fair value of the non-controlling interests, in the amount of \$368,121 is accounted for as a credit to deficit rather than a gain through the income statement.

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**22. Transition to International Financial Reporting Standards (Continued)**

The January 1, 2010 and December 31, 2010 Canadian GAAP statements of financial position have been reconciled to IFRS as follows:

	January 1, 2010			December 31, 2010			
	Note	Canadian GAAP	Effect of transition to IFRS	IFRS	Canadian GAAP	Effect of transition to IFRS	IFRS
<b>ASSETS</b>							
<b>Current assets</b>							
Cash and cash equivalents		\$ 1,425,152	\$ -	\$ 1,425,152	\$ 1,744,514	\$ -	\$ 1,744,514
Investment in securities		387,666	-	387,666	611,335	-	611,335
Accounts receivable		120,481	-	120,481	112,607	-	112,607
Prepaid expenses		38,227	-	38,227	35,295	-	35,295
		1,971,526	-	1,971,526	2,503,751	-	2,503,751
<b>Non-current assets</b>							
Deposit and others		20,000	-	20,000	32,377	-	32,377
Exploration and evaluation assets		22,339,510	-	22,339,510	21,884,142	-	21,884,142
Property and equipment		10,555	-	10,555	18,578	-	18,578
		22,370,065	-	22,370,065	21,935,097	-	21,935,097
<b>Total assets</b>		<b>\$ 24,341,591</b>	<b>\$ -</b>	<b>\$ 24,341,591</b>	<b>\$ 24,438,848</b>	<b>\$ -</b>	<b>\$ 24,438,848</b>
<b>LIABILITIES</b>							
<b>Current liabilities</b>							
Accounts payable and accrued liabilities		\$ 244,980	\$ -	\$ 244,980	\$ 426,316	\$ -	\$ 426,316
Other liability	22(d)	-	-	-	-	327,750	327,750
		244,980	-	244,980	426,316	327,750	754,066
<b>Non-current liability</b>							
Deferred tax liabilities		1,472,945	-	1,472,945	1,475,859	-	1,475,859
<b>Total liabilities</b>		<b>1,717,925</b>	<b>-</b>	<b>1,717,925</b>	<b>1,902,175</b>	<b>327,750</b>	<b>2,229,925</b>
<b>EQUITY</b>							
<b>Equity attributable to owners of the parent</b>							
Share capital		37,232,067	-	37,232,067	37,450,106	-	37,450,106
Contributed surplus	22(c)	965,352	(965,352)	-	965,352	(965,352)	-
Reserve for share-based payments and warrants		1,078,438	-	1,078,438	1,653,818	-	1,653,818
Deficit	22(c),(d)&(e)	(16,317,772)	965,352	(15,352,420)	(18,008,582)	782,422	(17,226,160)
Accumulated other comprehensive loss		(334,419)	-	(334,419)	(167,969)	-	(167,969)
<b>Total equity attributable to owners of the parent</b>		<b>22,623,666</b>	<b>-</b>	<b>22,623,666</b>	<b>21,892,725</b>	<b>(182,930)</b>	<b>21,709,795</b>
Non-controlling interest	22(d)	-	-	-	643,948	(144,820)	499,128
		22,623,666	-	22,623,666	22,536,673	(327,750)	22,208,923
<b>Total Liabilities and equity</b>		<b>\$ 24,341,591</b>	<b>\$ -</b>	<b>\$ 24,341,591</b>	<b>\$ 24,438,848</b>	<b>\$ -</b>	<b>\$ 24,438,848</b>

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**22. Transition to International Financial Reporting Standards (Continued)**

The Canadian GAAP statement of operations for the year ended December 31, 2010 has been reconciled to IFRS as follows:

	Note	Canadian GAAP	Effect of Transition to IFRS	IFRS
<b>Expenses</b>				
Accounting and audit		\$ 107,276	\$ -	\$ 107,276
Administration and others		234,560	-	234,560
Amortization		11,443	-	11,443
Consulting		92,789	-	92,789
Investor relations and promotion		165,411	-	165,411
Legal		21,428	-	21,428
Salaries and benefits		230,966	-	230,966
Share-based payments		745,471	-	745,471
<b>Loss before other items</b>		<b>(1,609,344)</b>	<b>-</b>	<b>(1,609,344)</b>
<b>Other items</b>				
Exchange loss		(451)	-	(451)
Gain on acquisition	22(e)	551,051	(551,051)	-
Gain on investment in securities		29,441	-	29,441
Write-down of assets		(784,776)	-	(784,776)
<b>Loss before income taxes</b>		<b>(1,814,079)</b>	<b>(551,051)</b>	<b>(2,365,130)</b>
<b>Deferred tax recovery</b>		<b>20,865</b>	<b>-</b>	<b>20,865</b>
<b>Net loss for the year</b>		<b>\$ (1,793,214)</b>	<b>\$ (551,051)</b>	<b>\$ (2,344,265)</b>
<b>Loss for the year attributable to:</b>				
Non-controlling interest		\$ (102,404)	\$ -	\$ (102,404)
Common shareholders	22(e)	(1,690,810)	(551,051)	(2,241,861)
		<b>\$ (1,793,214)</b>	<b>\$ (551,051)</b>	<b>\$ (2,344,265)</b>
<b>Loss per share - basic and diluted</b>		<b>\$ (0.020)</b>	<b>-</b>	<b>\$ (0.026)</b>
<b>Weighted average number of common shares outstanding</b>		<b>90,709,946</b>		<b>90,709,946</b>

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**22. Transition to International Financial Reporting Standards (Continued)**

The Canadian GAAP statement of comprehensive loss for the year ended December 31, 2010 has been reconciled to IFRS as follows:

	Note	Canadian GAAP	Effect of Transition to IFRS	IFRS
<b>Net loss for the year</b>	22(e)	\$ (1,793,214)	\$ (551,051)	\$ (2,344,265)
Gain on available-for-sale securities, net of tax		166,450	-	166,450
Other comprehensive income		166,450	-	166,450
<b>Comprehensive loss for the year</b>		<b>\$ (1,626,764)</b>	<b>\$ (551,051)</b>	<b>\$ (2,177,815)</b>
Total comprehensive loss attributable to:				
Non-controlling interest		\$ (102,404)	\$ -	\$ (102,404)
Common shareholders	22(e)	(1,524,360)	(551,051)	(2,075,411)
		<b>\$ (1,626,764)</b>	<b>\$ (551,051)</b>	<b>\$ (2,177,815)</b>

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**22. Transition to International Financial Reporting Standards (Continued)**

The Canadian GAAP statement of cash flow for the year ended December 31, 2010 has been reconciled to IFRS as follows:

	Note	Canadian GAAP	Effect of Transition to IFRS	IFRS
<b>Cash provided from (used for):</b>				
<b>Operating activities</b>				
Net loss for the year	22(e)	\$ (1,793,214)	\$ (551,051)	\$ (2,344,265)
Items not involving cash:				
Amortization		11,443		11,443
Share-based payments		745,471		745,471
Gain on acquisition	22(e)	(551,051)	551,051	-
Gain on investment in securities		(29,441)		(29,441)
Write-down of assets		784,776		784,776
Deferred income tax recovery		(20,865)		(20,865)
		<b>(852,881)</b>	<b>-</b>	<b>(852,881)</b>
Changes in non-cash working capital items:				
Accounts receivable		(88,281)		(88,281)
Prepaid expenses		2,932		2,932
Accounts payable and accrued liabilities		(97,913)		(97,913)
<b>Cash used in operating activities</b>		<b>(1,036,143)</b>	<b>-</b>	<b>(1,036,143)</b>
<b>Investing activities</b>				
Deposit and others		(12,377)		(12,377)
Expenditures on exploration and evaluation assets		6,533,840		6,533,840
Recoveries on exploration and evaluation assets		(6,491,844)		(6,491,844)
Acquisition of assets		1,196,236		1,196,236
<b>Cash provided by investing activities</b>		<b>1,225,855</b>	<b>-</b>	<b>1,225,855</b>
<b>Financing activity</b>				
Shares issued for cash, net of issue costs		129,650		129,650
<b>Cash provided by financing activity</b>		<b>129,650</b>	<b>-</b>	<b>129,650</b>
<b>Increase in cash and cash equivalents</b>		<b>319,362</b>	<b>-</b>	<b>319,362</b>
<b>Cash and cash equivalents, beginning of year</b>		<b>1,425,152</b>		<b>1,425,152</b>
<b>Cash and cash equivalents, end of year</b>		<b>\$ 1,744,514</b>	<b>\$ -</b>	<b>\$ 1,744,514</b>



## **COMMANDER RESOURCES LTD.**

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### **23. Events after the Reporting Period**

- a) In January 2012, the Company granted 100,000 incentive stock options, exercisable at a price of \$0.13 per share to an investor relations consultant.
- b) In January 2012, the Company sold its remaining 50% interest in the Green Bay Property to Maritime in exchange for 5 million common shares of Maritime, as provided in the agreement between the parties dated June 14, 2010 (Note 13(b)). After completing the transaction and transfer of the property to Maritime, Commander held 17 million common shares of Maritime and retained a 2% NSR royalty on any future production from the property, with the exception of production from the Orion deposit.
- c) In February 2012, the Company sold 4,500,000 common shares of Maritime to Rambler through a private transaction at a price of \$0.23 per share for gross cash proceeds of \$1,035,000. The Company now holds 12,500,000 shares of Maritime, representing 47% of Maritime's current issued and outstanding common shares. The Company also retains a 2% NSR on future production from portions of the Green Bay Property, which is wholly owned by Maritime.

### **24. Comparative Figures**

Certain of the comparative figures have been reclassified to conform to the presentation adopted for the current year.



# COMMANDER RESOURCES LTD.

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## OFFICERS & DIRECTORS

Eric W. Norton, P.Eng.  
*President, Chief Executive Officer and  
Director*

David Watkins, M.Sc.  
*Chairman and Director*

Bernard H. Kahlert, P.Eng.  
*Vice President, Corporate Development and  
Director*

Kenneth Leigh, MSc.  
*Director*

William J. Coulter, B.A.Sc.  
*Director*

Brian Abraham, LLB., P.Geo.  
*Director*

Michael W. Byrne, C.A.  
*Director*

Steve Potts, P.Geo.  
*Vice President, Exploration*

Michael Chen, CPA, MBA  
*Chief Financial Officer*

Janice Davies  
*Corporate Secretary*

## LISTINGS

TSX Venture Exchange: CMD  
U.S. 12g Exemption: #82-2996

## CAPITALIZATION

(As at December 31, 2011)

Shares Authorized: Unlimited  
Shares Issued: 99,892,548

## REGISTRAR & TRUST AGENT

CIBC Mellon Trust Company  
Suite 1600, The Oceanic Plaza  
1066 West Hastings Street  
Vancouver, British Columbia  
V6C 3X1

## AUDITOR

Smythe Ratcliffe LLP  
7<sup>th</sup> Floor, Marine Building  
355 Burrard Street  
Vancouver, British Columbia  
V6C 2G8

## LEGAL COUNSEL

Tupper Jonsson & Yeadon  
Suite 1710 – 1177 West Hastings Street  
Vancouver, British Columbia  
V6E 2L3